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NO. 21770

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

2216

3446

SHANNON THRASHER,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

WM. MATTHEW BYRNE, JR.,
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FILED

DEC 20 1967

WM. B. LUCK, CLERK

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FOR THE NINTH CIRCUIT

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UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

STATEMENT OF JURISDICTION

On September 29, 1966, a six-count indictment was filed in the United States District Court for the Southern District of California, Central Division, charging as follows [C. T. 2-7, 21, 34]: 1/

Counts One, Two and Three charged appellant and co-defendant Mittleman with the concealment and sale of 4279.20 grams of marihuana;

Counts Four and Five charged appellant and co-defendants Getchel and Lange with the concealment of 27,563.40 grams of

1/ "C. T. " refers to Clerk's Transcript of Record.

marihuana;

Count Six charged appellant with the concealment of 10.46 grams of marihuana [C. T. 2-7].

The District Court had jurisdiction under 18 U. S. C. §3231, 21 U. S. C. §176a, 26 U. S. C. §§ 4742(a), 7237 and Federal Rules of Criminal Procedure, Rule 18.

This Court has jurisdiction under Title 28, United States Code, §§ 1291 and 1294.

Defendant Mittleman's trial was severed [C. T. 22].

Appellant waived trial by jury and special findings of fact, and the court, the Honorable A. Andrew Hauk, tried appellant and co-defendants Lange and Getchel on November 28, 29 and 30, 1966 [C. T. 21-24; R. T. 7, 9, 10, 173-179]. ^{2/}

On November 30, 1966, the court found appellant guilty on Counts One, Two Three and Four, and not guilty on Counts Five and Six. Co-defendants Lange and Getchel were found guilty on Count Four and not guilty on Count Five [C. T. 24; R. T. 336-337, 357, 355-356, 334, 336].

On February 14, 1967 appellant was sentenced to serve five years concurrently on Counts One, Two, Three and Four [C. T. 34].

On March 1, 1967, notice of appeal was filed by appellant Thrasher [C. T. 46].

^{2/} "R. T." refers to Reporter's Transcript.

ISSUE PRESENTED

The only issue on this appeal is whether the evidence is sufficient to sustain the Court's finding that no entrapment of appellant Thrasher occurred.

STATEMENT OF THE CASE ^{3/}

Four witnesses testified [R. T. Vol. 1, Master Index]. The United States called Herbert A. Emrod, a narcotics agent employed by the United States Treasury Department, and Sergio Barquez, who was similarly employed, before it rested [R. T. 22, 143-144, 184]. Appellant called Clay Lockett, who worked as an irregular special employee for the Bureau of Narcotics, as an adverse witness, and also called Charlotte Ann Spragens, who lived with appellant during the period involved in the trial [R. T. 236-239, 299-300]. Emrod was called in rebuttal [R. T. 322]. All parties rested, and appellant Thrasher did not testify [R. T. 321, 323-324].

On May 4, 1966, appellant, at his request, met with Agent Emrod of the Federal Bureau of Narcotics, who was posing as a buyer, and discussed selling him 100 kilos of marihuana. Appellant indicated that he had a specific source of marihuana [R. T. 25-26,

^{3/} While the directly conflicting testimony is cited in this statement, the narrative itself is written under the well settled rules that on appeal the evidence must be approached in the light most favorable to the prevailing party, and that facts found at trial on conflicting testimony will not be disturbed on appeal.

80-82, 84, 252]. Thrasher gave Emrod a phone number which Emrod subsequently used to call him [R. T. 87].

Between May 4, 1966 and June 5, 1966, Agent Emrod and appellant Thrasher had a total of six phone conversations in which they negotiated over the hundred kilo sale. Appellant called Emrod four times [R. T. 26-27, 85-87].

During this period between May 4, 1966 and the first sale on June 8, 1966, appellant Thrasher met repeatedly with Clay Lockett at Lockett's home, at appellant's home and at a Hollywood coffee house. Appellant Thrasher and Charlotte Spragens were smoking marihuana in Lockett's company and at other times [R. T. 258, 262-263, 283, 284, 290, 308-311]. The meetings were sporadic and involved discussions of many things including marihuana and Thrasher's need for money for his inventions [R. T. 247, 257-259]. Soon after May 4, 1966, appellant told Lockett that the one hundred kilo deal had fallen through, and that he, Thrasher, couldn't handle the one hundred kilo sale; that it was too big a hassle [R. T. 252-254]. However he never told this to Agent Emrod [R. T. 85].

This conversation, regarding Thrasher's difficulties in putting together the hundred kilo sale, was never specifically dated. However, it must have taken place after the May 4, 1966 meeting with Emrod, and the testimony placed it long before appellant Thrasher went to jail on a traffic ticket [R. T. 253-254]. This jailing, and his subsequent release, occurred before appellant Thrasher received Agent Emrod's phone number from Lockett, which probably took place shortly before June 5, 1966 [R. T. 85-86, 93-94, 255].

Lockett's instructions from the Federal Bureau of Narcotics were to remain in contact with appellant Thrasher to see if appellant wanted to make a sale, but not to persuade him to sell. Lockett did not devote excessive attention to Thrasher and both Lockett and Thrasher initiated their meetings and contacts [R. T. 258-261, 263]. Appellant Thrasher was the person who several times introduced the subjects of marihuana and the sale thereof to Emrod. Lockett served as a message carrier between Emrod and Thrasher [R. T. 91-92, 255, 264-266, 282-283].

About this time, Thrasher was arrested on the traffic charge and he was having financial problems. Around this time Lockett took him to coffee or dinner, once or twice, and lent him small amounts of money. When Thrasher was released from jail he visited Lockett and used Lockett's place to clean up [R. T. 266-268]. Near the end of May, 1966, Lockett, at Agent Emrod's instructions, delivered Emrod's telephone number to appellant Thrasher [R. T. 255, 269]. Thereafter, Thrasher made several calls to Emrod [R. T. 26-27, 85-87].

On June 5, 1966, Thrasher called Agent Emrod and said that, while the one hundred kilos were not yet available, he had ten kilos for sale at \$125 per kilo. On June 7, 1966, Thrasher and Emrod met by appointment in Hollywood [R. T. 29-36, 87, 91, 94, 95]. Another person was there with Thrasher [R. T. 31, 32]. The three of them went to a parking lot, where the third person, at Thrasher's instruction, delivered five one kilo bricks of marihuana to Emrod, who paid Thrasher \$625.00 [R. T. 20, 30-32, 161]. At

that time, Thrasher asked Emrod when he was interested in doing business again.

Between June 7, 1966 and September 12, 1966, Thrasher and Agent Emrod had between six and twelve further telephone conversations, some of which Mr. Thrasher initiated [R. T. 35, 36, 95, 96]. In the first, Thrasher agreed to get more marihuana and said he would use new sources of supply [R. T. 38, 98, 125-127, 129]. The succeeding conversations dealt with the purchase from Thrasher of 50 kilograms of marihuana, which Thrasher had indicated he could obtain [R. T. 95-98]. In one of them, Thrasher implied that his source of supply received the marihuana from Mexico [R. T. 42].

Thrasher, from time to time, expressed apprehension about the risks involved in selling marihuana, and had occasions of greater and lesser willingness to deal. However, he never said he wasn't interested, but only that he was afraid of the risks involved. The dates of these expressions are not clear, but it is doubtful that they occurred earlier than May 4, 1966, since Thrasher was introduced to Emrod as soon as Thrasher mentioned that he wanted to sell one hundred kilos. They could have occurred between June 8, 1966, the date of the first sale, and September 12, 1966, when appellant was arrested [R. T. 23, 245-249, 255, 281-283].

On September 9, 1966 appellant Thrasher phoned Agent Emrod and offered to sell 30 kilograms at \$125.00 each [R. T. 40, 111]. One hour later, Thrasher again phoned Emrod to confirm that Thrasher would be able to hold the marihuana out for sale through

September 12, 1966 [R. T. 41].

On September 12, 1966, in the evening, by pre-arrangement, Thrasher, accompanied by codefendants Getchel and Lange, met with Agents Emrod and Borquez [R. T. 43]. Thrasher asked whether Agent Emrod had the money to buy, since his two sources, Getchel and Lange, were going to have to go and get the marihuana [R. T. 44, 45]. After some conversation, Thrasher and the agents went to Thrasher's residence to make the sale [R. T. 49]. Thrasher asked to see the money [R. T. 112]. Co-defendant Getchel appeared and asked to see the money. When he was shown \$3750, he left, and returned with co-defendant Lange, both carrying a large paper bag containing 30 one kilo bricks of marihuana. They asked what to do with it, and were instructed to, and did, dump it on the bed. All were then arrested [R. T. 19-20, 50, 51, 56, 57, 116-118, 137-140, 147-150]. At the time of the arrest, the marihuana involved in Count Six was located in Thrasher's apartment [R. T. 150-153, 21].

The marihuana delivered by Getchel and Lange was identified as Mexican in origin [R. T. 52-55, 102-108, 144-147]. No written order forms were presented or exchanged in either sale [R. T. 32-34, 55].

Appellant Thrasher and Lockett first met in the middle of March, 1966, by chance while both were walking in Hollywood [R. T. 239-240, 299-301]. They continued that first conversation over coffee at appellant Thrasher's apartment, probably at Thrasher's invitation [R. T. 299-300, 240]. Within a week or two thereafter,

Lockett was again a guest in appellant Thrasher's home, having called to visit [R. T. 241, 301].

Including the original meeting and through June 7 or 8, 1966, Lockett and appellant Thrasher may have had six conversations at appellant's home, which Lockett made a special effort to visit [R. T. 243-244, 303, 307-308]. Several of these conversations took place before May 4, 1966 [R. T. 246-249, 305]. During this same period appellant Thrasher began calling Lockett often on the telephone and he began visiting at Lockett's home [R. T. 243-246, 260-261].

Marihuana, LSD and hallucinogens generally, became a subject of conversation early in the acquaintance, perhaps at the second meeting in March. Appellant Thrasher raised the subject of selling LSD [R. T. 242-244, 301-303].

Sometime after Thrasher and Lockett first met, and before the May 4, 1966, meeting with Agent Emrod, Thrasher went to Mexico. While the testimony does not give the dates of this trip, those dates can be bracketed by reference to other events. When they met, Lockett lived in Hollywood [R. T. 239-240]. Lockett moved before Thrasher went to Mexico [R. T. 245-247]. When Thrasher returned from Mexico, he had a conversation in which he offered to sell one hundred kilos of marihuana [R. T. 245-249]. After he offered to sell the hundred kilos, he met Agent Emrod on May 4, 1966 [R. T. 249, 23].

Mexico then was the source of much marihuana that illegally entered the United States, and was the source from which came the

marihuana sold by appellant Thrasher in June and September, 1966 [R. T. 41-42, 52-55, 102-103, 105-108, 144-147]. After he returned from Mexico, appellant Thrasher introduced the possibility of marihuana sales, by telling Lockett that he, Thrasher, had a source and that he could sell one hundred kilos. Lockett replied that he knew a buyer, someone associated with a trucking company [R. T. 243, 245-249, 264, 277, 280, 281, 23; compare 303-306]. Lockett said he would make the introduction, but not become involved in the negotiations [R. T. 249, 251-252]. At Thrasher's request, Lockett arranged the May 4, 1966 meeting with Agent Emrod [R. T. 252].

I

THE JUDGMENT BELOW SHOULD BE SUSTAINED BECAUSE THE TRIAL COURT DID NOT FIND CREDIBLE EVIDENCE OF GOVERNMENT INDUCEMENT.

Five separate theories, each consistent with the judgment of conviction by the trial court as fact finder, sustain the judgment below, by eliminating entrapment at the threshold. Since findings of fact were waived by appellant, the judgment should be sustained if any view of the evidence favorable to the government will support the conviction. Masciale v. United States, 356 U. S. 386, 388 (1958); Cellino v. United States, 276 F.2d 941, 943 (9th Cir. 1960) [C. T. 21]. On any one of these five views, no evidence exists of any inducement by the Government to appellant Thrasher to sell

marihuana.

The court has several times quoted with approval Judge Learned Hand's classic statement of entrapment:

"[I]n such cases two questions of fact arise:

(1) did the agent induce the accused to commit the offense charged in the indictment; (2) if so, was the accused ready and willing without persuasion and was he awaiting any propitious opportunity to commit the offense. On the first question the accused has the burden; on the second the prosecution has it.

United States v. Sherman, 200 F.2d 880, 882-883 (2d Cir. 1952). "

Ortega v. United States, 348 F.2d 874, 877 (9th Cir. 1965);

Notaro v. United States, 363 F.2d 169, 174 (9th Cir. 1966).

That analysis remains basic, although its succinctness has subjected it to extrapolation and modification. In Lopez v. United States, 373 U.S. 427, 434, 435 (1963) the Supreme Court reaffirmed its line of decisions in Sherman v. United States, 356 U.S. 369 (1958), Masciale v. United States, 356 U.S. 386 (1958) and United States v. Sorrells, 287 U.S. 435 (1932) that, before the second element need be considered, it must be shown that the Government induced the defendant to commit the crime. It said:

"The conduct with which the defense of entrapment is concerned is the manufacturing of crime by

law enforcement officials and their agents. Such conduct, of course, is far different from the permissible stratagems involved in the detection and prevention of crime. Thus before the issue of entrapment can fairly be said to have been presented in a criminal prosecution there must have been at least some showing of the kind of conduct by government agents which may well have induced the accused to commit the crime charged." (373 U.S. at pp. 434, 435)

While various cases cited herein have used inducement more or less broadly, e. g. , Sherman v. United States, supra, in its technical sense the element has been construed as " . . . any solicitation or initiation". Kadis v. United States, 373 F.2d 370, 372, footnote 2 (1st Cir. 1967). While the First Circuit, in Kadis v. United States, supra, has now abandoned the L. Hand analysis, it seems to be the law in this Circuit. Notaro v. United States, supra.

First, the court, as judge of the credibility of the witnesses, could completely disregard the testimony of appellant's only witnesses, special employee Lockett, and Charlotte Ann Spragens, appellant's girlfriend. Masciale v. United States, supra. Notaro v. United States, 363 F.2d 169, 173 (9th Cir. 1966). On that view of the evidence, the facts before the Court, based on government witness Emrod's evidence would begin on May 4, 1966, with Emrod

telling Thrasher he wanted to buy 100 kilograms which he had heard Thrasher had for sale, and Thrasher agreeing to get it [R. T. 81, 25, 26]. The testimony of Agent Emrod regarding appellant Thrasher's relationship with Clay Lockett merely shows an introduction to Emrod [R. T. 78] on the date on which the Federal Bureau of Narcotics investigation began [R. T. 113] and, after May 4, 1966, some conversations between Emrod and Lockett in which they discussed, among other things, appellant Thrasher's progress in arranging a marihuana sale to Emrod [R. T. 88, 90-92].

The introduction by a special informant of an agent, posing as a buyer, to a rumored prospective seller of marihuana, who immediately acknowledges that he is able to supply one hundred kilos of marihuana, the use of the special informant by the prospective seller and the agent to contact each other, and the use of the special informant in keeping track of the proposed sale's progress, are not sufficient prima facie evidence to raise entrapment. Lopez v. United States, 373 U.S. 427, 435 (1963); Cellino v. United States, 276 F.2d 941, 947 (9th Cir. 1960); (alternate holding) cf. Notaro v. United States, 363 F.2d 169, 174, 175 f. 6 (9th Cir. 1963); Kadis v. United States, 373 F.2d 370, 372 f. 2 (1st Cir. 1967).

Second, the Court could accept the testimony of Clay Lockett, and disregard that by Charlotte Spragens. The evidence then shows that appellant Thrasher, a marihuana user, first raised the general topic of hallucinogens and marihuana, and first broached to Lockett the subject of making a hundred kilo marihuana sale [R. T. 244, 277, 249]. The initiative for the sales was from appellant Thrasher,

and negates any inducement. Without inducement, there is no entrapment. Lopez v. United States, supra; Sherman v. United States, supra. Compare: Kadis v. United States, supra.

Third, the Court could have accepted only the Spragens testimony. On this evidence, the subject of psychedelics arose in March, 1966 at the second meeting between the appellant Thrasher and Lockett. Thrasher

" . . . said something about the economics of LSD and [Lockett] said that he didn't know anyone that was interested in LSD, but that he did know a man that wanted to buy large quantities of marihuana . . . Mr. Thrasher said that he wasn't interested in selling any marihuana, that there was no profit in it, and that it was too risky, and that the several years that he had been around people that smoked marihuana, that he had never seen anyone make any money." [R. T. 301, 302] (emphasis added)

Lockett offered Thrasher, who was a marihuana user, marihuana for personal use [R. T. 306]. Three or four visits later, shortly before May 4, 1966, Lockett brought the subject up and said that he knew a " . . . fellow that would be interesting in purchasing large amounts . . . a hundred kilos . . . [at] . . . a hundred and twenty five a kilo . . . " [R. T. 305-308, 23].

On this evidence the Court could have found no inducement, and have concluded that appellant Thrasher initiated the discussion

of illegal sales of LSD, that he was considering selling, or was selling LSD, that he had considered, or was considering, marihuana sales, and that his only objections to selling marihuana were " . . . the natural hesitancy of one acquainted with the narcotics trade", and the lack of profit. Sherman v. United States, supra, at p. 371.

Fourth, the Court could have accepted Spragens' testimony, and the uncontradicted portions of Lockett's testimony. This view gives evidence from which to conclude that, at the second meeting between them, Thrasher discussed selling LSD, but did not consider marihuana financially attractive enough. However, he did go to Mexico to investigate the sources, prices and prospects of a hundred kilo sale at \$125.00 per kilo, or a total price of \$12,500.00 [R. T. 245-247, 301-306]. Upon his return and further consideration he found the hundred kilo sale attractive enough to pursue [R. T. 252].

On this evidence, showing all the initiative regarding illegal sales from appellant Thrasher, and despite his initial hesitancy, he cannot prevail, as the Court could easily find no inducement. United States v. Whiting, 321 F.2d 72, 76 (1st Cir. 1963); Toy v. United States, 273 F.2d 625, 626 (2nd Cir. 1960).

Finally, the Court could have found that the Government was not responsible for any blameworthy conduct, if there was any, by Clay Lockett. In Ortega v. United States, 348 F.2d 874 (9th Cir. 1965) this Court affirmed a judgment of conviction arising from two heroin sales. The defendant claimed a "frame up" and testified that he had been asked by the informer to participate in a charade sale of heroin to the informer, so that the informer, having pretended to

make a purchase, could sell to a third person. The third person in fact was a Federal Bureau of Narcotics Agent [348 F.2d 874, at 877, 878, 877 f. 2]. The defendant testified that he had agreed to go along with the charade, and had accepted money for the heroin, but that he never possessed the heroin, which remained with the informer [348 F.2d at pp. 876, 878]. The informer, contradicting his signed statement, also testified to these facts. Affirming the conviction and the denial of a requested entrapment instruction [348 F.2d at p. 875, f. 1], this Court said:

"This, then, is not a case where any government agent asked Strickland to perform the alleged treacherous 'charade'. Neither Celaya nor any other government agent had the slightest knowledge that Strickland proposed to 'frame' Ortega, if in fact he did." [348 F.2d at p. 878]

And,

". . . Here there is not the slightest indication the police wanted, or knew, that Strickland would do what he now asserts he did -- impose upon Ortega. Not until Strickland contradicted his original signed statement in the courtroom was there any knowledge in the government agents as to what Ortega and Strickland now assert Strickland did. . . ." [348 F.2d at p. 879]

The phony buyer in each sale was a Federal Bureau of Narcotics agent, who was present during some of the informer's dealings with defendant.

This holding, that, if the evidence fails to show that the official federal agent, as distinguished from the special employee or informer, neither knows nor should know, that the special employee has framed the defendant, then the conduct of the special employee may not be considered as conduct of the government on the defense of entrapment, is applicable in this case. Of course, it is true that the government cannot remain wilfully ignorant of the special informer's flagrant conduct, to avoid the defense of entrapment. Sherman v. United States, 356 U.S. 369, 373-375 (1958).

Lockett, who was on probation for a tax offense of an unspecified nature, contacted the Federal Bureau of Narcotics, in the Fall of 1965 or the Spring of 1966 regarding some marihuana sales [R. T. 80, 285-289]. Although he received some money from the Federal Bureau of Narcotics for his work as a special employee, he had not been paid anything at the time he reported appellant Thrasher, nor did he know how much he would receive and could fairly be considered an occasional employee through this period before May 4, 1966. He was supporting himself through other work [R. T. 237-239, 270-273, 276].

The official investigation of appellant Thrasher began about May 4, 1966, when the Federal Bureau of Narcotics agents first learned of appellant Thrasher [R. T. 80-81, 113]. This was after Thrasher and Lockett began discussing marihuana sales at Thrasher's initiative. Lockett's instructions were to see if Thrasher, and presumably others, were interested in selling, and, to keep in touch with Agent Emrod regarding his activities [R. T. 256, 260]. After

the investigation began, in addition to dealing directly with appellant Thrasher, Emrod kept in touch with the Lockett-Thrasher relationship, by talking to Lockett about it [R. T. 88, 90-92, 255-256].

The evidence clearly supports implied findings that the government did not know of any persuasion by Lockett, that it instructed him against such conduct, and that it did not keep itself deliberately ignorant of, but kept informed of, Lockett's relationship to Thrasher. On the authority of Ortega, supra, and Sherman, supra, the trial court could fairly conclude that the government had in good faith fully complied with its responsibility of supervision and was not responsible for blameworthy conduct, if any, by Lockett.

Each of these views of the evidence remove the issue of entrapment from the case, by dispensing with any evidence of government initiative and inducement. Any one is a view which the court below, as fact finder, could have taken. Any one is sufficient to sustain the judgment below, without considering the relative conduct of the appellant and the government, and, so, the judgment should be affirmed.

II

THRASHER'S PREDISPOSITION AND WILLING- NESS TO SELL MARIHUANA, AND THE ABSENCE OF OBJECTIONABLE LAW ENFORCEMENT ACTIVITY, AMPLY APPEAR IN EVIDENCE.

Appellant Thrasher's willingness to deal in marihuana without any great urging by Lockett or anyone else amply appears in the evidence. And the trial court's finding that no entrapment exists is supported both by an evaluation of the evidence using the existing legal standards and by a comparison of the evidence with the decisions of the Ninth Circuit and of the Supreme Court.

Where the examination proceeds from inducement to the second element of entrapment, the Supreme Court has said:

"To determine whether entrapment has been established, a line must be drawn between the trip for the unwary innocent and the trap for the unwary criminal. The principles by which the courts are to make this determination were outlined in Sorrells. On the one hand, at trial the accused may examine the conduct of the government agent; and on the other hand, the accused will be subjected to an 'appropriate and searching inquiry into his own conduct and predisposition' as bearing on his claim of innocence. See 287 U.S., at 451. "

Sherman v. United States, supra, at pp. 372, 373.

The effort in appellant's opening brief, at pp. 6-12, to draw away

from this dual examination, by relying on the concurring opinion in Sherman v. United States, supra, on United States v. Sagansky, 358 F.2d 195 (1st Cir. 1966), and on United States v. Morrison, 340 F.2d 1003, 1004 (2nd Cir. 1965) cannot change the issues before this Court in this case. The examination of the defendant's predisposition and willingness is firmly settled, and these cases do not support appellant. We especially disagree with appellant's effort, in his brief, at p. 12, lines 9-24, to present the entrapment standard as one which requires the major, if not the nearly exclusive, focus on the government's conduct. The quotation, from United States v. Morrison, supra, which appears in appellant's brief at p. 12, lines 18-23, and which is in fact a paraphrase, omits the word "alternatively". "Alternatively" appears in the opinion itself between "to inquire" and "whether", and when added makes clear that, while the entrapment inquiry has expanded to include an evaluation of the government's conduct, nevertheless the major attention remains focused on the defendant's willingness.

The Supreme Court has said:

"The defense of entrapment, its meaning, purpose, and application, are problems that have sharply divided this Court on past occasions. See Sorrells v. United States, 287 U.S. 435, 77 L.ed. 413, 53 S.Ct. 210, 86 A.L.R. 249; Sherman v. United States, 356 U.S. 369, 2 L.ed.2d 848, 78 S.Ct. 819, Masciale v. United States, 356 U.S. 386, 2 L.ed.2d 859, 78 S.Ct. 827. Whether in the

absence of a conclusive showing the defense is for the court or the jury, and whether the controlling standard looks only to the conduct of the Government, or also takes into account the predisposition of the defendant, are among the issues that have been mooted. "

Lopez v. United States, 373 U.S. 427, 434 (1963)

Thrasher's predisposition and willingness to sell marihuana are manifest throughout this case. He raised the subject of hallucinogens at his second meeting with Lockett [R. T. 242-244]. On his own evidence, he brought up the question of selling LSD [R. T. 301-303]. On his own version of the facts, he had no objection to selling marihuana because it was illegal as such, but because " . . . there was no profit in it, and that it was too risky. . . . " [R. T. 302]. Lockett did not, as suggested in appellant's opening brief, at p. 3, lines 16-19, p. 6, lines 11-13, p. 7, lines 18-20, first ask Thrasher whether he would be interested in selling marihuana and, of course, Thrasher did not refuse. That fact, if the evidence is in conflict, was resolved at the trial level, and cannot be reargued here.

After Thrasher returned from Mexico, from which comes much of the illegally imported marihuana in the United States, he introduced the subject of a hundred kilo sale, raising the possibility he had located a large supplier of marihuana [R. T. 41-42, 52-55, 102-103, 105-108, 144-147, 243, 245-249, 264, 277, 280, 281]. Even on Thrasher's own evidence, Lockett's solicitation essentially

consisted of a reply, on one occasion, that Lockett knew someone willing to buy large quantities of marihuana, and on a second occasion, a repetition of that statement [R. T. 301-306]. Thrasher asked to, and did, meet a buyer at Thrasher's apartment to discuss a hundred kilo sale [R. T. 25-26, 80-82, 84, 252]. After this, he showed substantial initiative in keeping his buyer interested; first by placing four of the six direct telephone calls between them regarding the deal, and, when he had trouble producing the hundred kilos, by producing and soliciting lesser quantities [R. T. 26-27, 29, 85-87].

Thrasher's poor financial condition was probably the basis for several problems he encountered in selling marihuana, but it demonstrates his persistence [R. T. 257-259, 266-268]. It, rather than his conversations with Lockett, was probably the motive for his willingness to deal in marihuana, despite the risks he recognized [R. T. 281-282]. It, rather than a lack of supply, was probably the reason he had a "hassle" and couldn't easily produce the hundred kilo quantity [R. T. 252-254]. And, despite appellant's inference, in his brief at p. 3, lines 15-20, that, because of the "hassle", Thrasher lost all interest in selling marihuana, the evidence is clear that Thrasher's "hassle" was only with the size of the deal, and not with selling marihuana [R. T. 252-254, 281-283].

His financial problems may also account for the method of sale and delivery he used. He appears to have acted as a middle-man, negotiating with the buyer, and bringing the buyer together with the persons who actually had the marihuana [R. T. 30-32, 44-

45, 49-51, 56-57, 116-118, 137-140, 147-150]. Even though his lack of funds made the problems of selling substantial, he overcame them.

Thrasher's familiarity with, and interest in, selling marihuana is apparent. He was a user of marihuana, and able to procure it in quantities for his personal use [R. T. 258, 262-263, 283-284, 290, 308-311]. Appellant's effort, at pp. 9-10 of his brief, to distinguish between his personal use of marihuana, and selling it, and to minimize the significance of using, must be subjected to some question. On the evidence in this case, and with respect only to the marihuana involved for his personal use, several federal violations appear. These include receiving this marihuana from others, either with or without payment, the transportation and concealment of such marihuana, and the facilitation of the transportation of such marihuana. See 21 U.S.C. §176a. The relatively small quantities involved is no defense. Notaro v. United States, supra (involving the sale of 3-1/2 oz. of marihuana).

Either this use, earlier investigation of marihuana selling, or previous marihuana selling, was the source for the background knowledge Thrasher possessed when he met Lockett, and his subsequent ability to deal [R. T. 301-302]. He located a possible hundred kilo supply, and a specific marihuana source [R. T. 25-26, 80-82, 84]. At his first sale, he solicited further sales [R. T. 25-26, 80-82, 84]. Although he expressed anxiety about the risks of apprehension to Lockett, he never mentioned this to his buyer, Emrod [R. T. 281-282].

Thrasher's statements that he was uninterested in dealing at a particular time were not made until after May 4, 1966, when he was already well along in his efforts to sell marihuana. They could have been made between June 8, 1966 and September 9, 1966. [See appellee's statement of the case for this analysis and R. T. citations.] However, these statements are no evidence that he was unwilling to deal, until persuaded by Lockett's special effort, because Lockett's effort took place soon after they met, was completed by June 8, 1966, and had to be substantially completed by May 4, 1966. [See appellee's statement of the case for this analysis and R. T. citations.] The special efforts, in any event, was never shown to be anything more than to visit Thrasher at Thrasher's home [R. T. 243, 244]. These statements, most charitably, can be described as "second thoughts".

Lockett never told Emrod he would not sell. Instead he sold five kilos and offered to get 50 kilos more. He had between six and twelve conversations with Emrod about the 50 kilo sale, and placed several of those calls himself [R. T. 35-36, 95-98]. When his first source of supply, Mittleman, was no longer available, he found new sources [R. T. 38, 98, 125-129]. Despite his occasionally expressed doubts, it is clear that " . . . he was ready and willing to commit the offense whenever the opportunity was offered. . . . " Notaro v. United States, *supra*, at p. 175.

In Hill v. United States, 261 F.2d 483 (9th Cir. 1958), this Court rejected a claim of entrapment as a matter of law on evidence quite similar to this. The Court said:

"This point is based upon the contention that the Federal Agents, acting under false names and identities, practiced fraud and deceit on the appellant, worked on appellant two months as a prospective partner in order to get evidence on a known narcotics peddler; they focused on appellant as a narcotics peddler without any evidence that the appellant knew anything about the subject; and they furnished him money with which to purchase marihuana.

"Other evidence in the record, however, is that it was the appellant who first mentioned narcotics to the Federal Agents; that appellant informed them that he had at least three sources of supply and could deal in 100 to 200 pound lots; that appellant volunteered to the Federal Agents the information that a bar was for sale and that the owner thereof still had narcotics for sale; and it was the appellant who invited the Federal Agents to come to appellant's place of employment to discuss the possibilities of further narcotic traffic; and it was the appellant who arranged for the purchase of the narcotics. The record before us does not show, as a matter of law, that appellant would not have committed the offenses for which he was found guilty except for the trickery, persuasion or fraud of the government agents. . . . " 261 F.2d at p. 488.

On the other hand, when we examine the government's role, the record contains no evidence that these two sales were the produce of "creative activity" by the government or its agents. The standard by which this behavior is to be evaluated is well put in Sherman v. United States, supra:

" . . . The function of law enforcement is the prevention of crime and the apprehension of criminals. Manifestly, that function does not include the manufacturing of crime. Criminal activity is such that stealth and strategy are necessary weapons in the arsenal of the police officer. . . . " 356 U.S. at p. 372.

And, again:

" . . . the fact that government agents 'merely afford opportunities or facilities for the commission of the offense does not' constitute entrapment. Entrapment occurs only when the criminal conduct was 'the product of the creative activity' of law-enforcement officials. (Emphasis supplied.)" 356 U.S. at p. 372.

Appellant and Lockett met, and both made efforts to develop a friendship. What course that friendship would have taken, if Thrasher had not shown an interest in selling marihuana, or if Lockett had not been an occasional special employee, is idle speculation.

Thrasher suggested he could, and would sell, and Lockett replied he knew someone who would buy. Thrasher, however, would have to deal, and would only receive an introduction to the buyer. Thrasher agreed, and at his request, the May 4, 1966, Thrasher-Emrod meeting was arranged and Lockett introduced them [R. T. 243, 245-249, 251-252, 264, 277, 280-281]. Lockett was not involved in the conversation where Agent Emrod, posing as a buyer, discussed the hundred kilo sale [R. T. 25-26, 80-84]. Lockett gave Emrod his telephone number, so that they could remain in contact about the sale [R. T. 87].

Emrod continued posing as an interested buyer from May 4, 1966 through September 12, 1966 [R. T. 26-27, 35-38, 95-98, 125-127, 129]. Lockett did not pay excessive attention to Thrasher, but remained in contact; both he and Thrasher initiated further meetings and conversations [R. T. 259-261, 263]. Lockett did not "push" the subject of marihuana sales. Thrasher did [R. T. 91-92, 255, 264-266, 282-283]. Lockett was instructed to and waited for Thrasher to take the initiative. Although he relayed messages between Thrasher and Emrod, he never asked Thrasher to sell marihuana [R. T. 255, 263-266, 282-283]. This evidence is not " . . . the manufacturing of crime by law enforcement officials . . . "; rather, it is an example of " . . . the permissible stratagems involved in the detection and prevention of crime. . . . " Lopez v. United States, *supra*, at p. 434.

The use of special employees and government agents posing as go-betweens is clearly permissible. Masciale v. United

States, supra.

The government, in order to justify its investigation does not need to show any prior suspicion that Thrasher was involved. United States v. Campbell, 235 F.Supp. 190 (E.D. N.Y. 1964) cited and quoted by appellant at p. 7 of his brief for this proposition, does not require such a showing. Despite the assertion in appellant's brief, at p. 11 and p. 13, that the government should be limited to using informants to catch "those apparently established as dealers", that is not the law in this or most other circuits. Silva v. United States, 212 F.2d 422, 424 (9th Cir. 1954); Kadis v. United States, 373 F.2d 370, 373 (1st Cir. 1967). The quotation from Campbell, supra, which in fact is a paraphrase from two separated portions of the opinion, on pages 190 and 191, respectively, actually supports a holding that the evidence as a whole justified a finding of entrapment in that case. Whether or not Thrasher was, or the government knew he was, dealing in marijuana, is beside the point, since "there is always a first time wilfully to engage in criminal conduct." Silva v. United States, 212 F.2d 422, 424 (9th Cir. 1954).

Entrapment as a matter of law is also negated by comparing this set of facts with those in the reported Supreme Court decisions.

In Sherman v. United States, 356 U.S. 369, 373 (1956), the Supreme Court held that entrapment existed as a matter of law. In contrast to this case, no questions of credibility existed, on appeal, since the Court referred only to the government's evidence. (356 U.S. at p. 373). There the evidence showed that K, the

informer, met Sherman at a doctor's office where both were being treated for narcotics addiction. K admitted to many discussions, including, among other topics, their individual problems involving narcotics addiction. After many such meetings, K asked for help in obtaining narcotics. K had to make many requests and appeal to sympathy for K's suffering, before Sherman consented to find narcotics for him. Even then, Sherman apparently transferred them to K at cost plus expenses. (356 U.S. at p. 371).

But, in our case, the evidence is much different. No appeal to sympathy exists. No request is made for appellant to sell, but only after appellant says he can and will sell, is an offer made to introduce him to a buyer. (Even on Thrasher's rejected version of the evidence, the alleged persuasion consists only of two statements by Lockett that he knew a buyer, made early in their relationship, when Lockett and Thrasher were comparative strangers.) When Thrasher volunteered his interest in selling, he was introduced to official government agents who posed as buyers. Thrasher was selling on his own initiative for his own profit; he aggressively pursued his customers. This case does not fall within the ambit of Sherman v. United States, supra.

A comparison with United States v. Sorrells, 287 U.S. 435 (1932), does not help appellant. See appellant's brief, pp. 9-10. Sorrells ultimately held that on its evidence entrapment was a question of fact for the jury. (287 U.S. at p. 452). Thus, even if similar facts existed in our case, on this authority, this Court should affirm the trial court. Sorrells is a useful example because

the evidence, while presenting some credibility questions, was not in substantial dispute regarding the conduct of the agent and the defendant. The facts thus provide one example of conduct by a government agent which does not necessarily constitute entrapment. The agent was introduced by friends of defendant at defendant's home. The agent spent an hour and a half with defendant, reminiscing about their World War I experience in the same division. Others were present. The agent made three, four or five requests for some whiskey, and was the only person to do so. He may have said he wanted to use it as a gift. When defendant finally agreed to get the whiskey, and got it, he was arrested. (287 U.S. at pp. 439-441).

These facts are no closer to our own than those in Sherman v. United States, supra. In our case we have strangers making a chance acquaintance, rather than the introduction by mutual friends. We have the initial invitation by Thrasher for Lockett to come over for coffee. We have Thrasher raising the subject of selling LSD in a conversation about hallucinogens, LSD and marihuana. We have Thrasher suggesting he can sell and deliver one hundred kilos. There is little similarity between Sorrels persuasion and Lockett's initiative.

Masciale v. United States, 356 U.S. 386 (1958), decided the same day as Sherman v. United States, supra, rejected a claim that, as a matter of law, entrapment was established. The testimony of the agent Marshall, that he met with petitioner as a narcotics buyer, as a result of an informant's introduction, that

they discussed narcotic purchases, that they had ten conversations over the next six weeks, because petitioner was having trouble making his contact, and that petitioner finally did set up a sale, is similar to the evidence in our case. Dissenting on another ground, four Justices, including three still on the Court, characterized this evidence of entrapment, including petitioner's contradicting testimony of a campaign by the informer " . . . to persuade him to sell narcotics using the lure of easy income." as "rather thin" (356 U.S. at pp. 388, 389). On this authority, too, the decision below must be sustained for the evidence here is similarly thin.

Lopez v. United States, 373 U.S. 427, 436 (1963), in which the Court said that the evidence did not fairly present the issue of entrapment, is analogous to this case. In Lopez, at a first meeting, the defendant gave unsolicited bribes to an IRS investigator who was on official business. At a subsequent meeting, when the subject of the delinquent returns came up, the defendant again offered bribes. (373 U.S. at pp. 430-431). The agent, who had returned for the next meeting, after reporting the initial bribes, was cooperating with law enforcement officials, and was under instructions to go along and try and draw the conversation back to the initial meeting. (373 U.S. at p. 430). The only counts on which defendant was convicted arose from the second meeting. (373 U.S. at pp. 432, 434). Regarding entrapment, the Court said, "Indeed, the paucity of the showing might well have justified a refusal to instruct the jury at all on entrapment." (373 U.S. at p. 436).

In this case, too, the essential evidence is that Thrasher first raised the subject of selling LSD, first raised the subject of selling marihuana, accepted an offer to meet a buyer, and pursued the sales with vigor and industry, despite problems in locating sources, and despite his financial problems. Lockett was instructed to, and all he did was, play along, as did Emrod, until Thrasher had marihuana to deliver. It almost seems that, as a matter of law, no entrapment was shown.

Walker v. United States, 298 F.2d 217 (9th Cir. 1962), resembles this aspect of this case in many respects, since it shows how intricately law enforcement officials may become involved in a defendant's scheme to smuggle narcotics, without creating an entrapment. In that case, this Court affirmed the convictions below, and it should do so here.

CONCLUSION

No government inducement is shown if any one of five possible views of the evidence, each favorable to the government, is accepted on this appeal. Even if the Court finds government inducement, an evaluation of the conduct of the defendant and the government shows substantial evidence to justify the trial court's conclusion that no entrapment occurred.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Theodore E. Orliss

THEODORE E. ORLISS

21774 /

No. [REDACTED]

United States
COURT OF APPEALS
for the Ninth Circuit

DELBERT G. CLOSTERMANN,
Executor of the Estate of
Charles W. Feist, deceased,

Appellant,

v.

THE GATES RUBBER COMPANY,
Colorado corporation,

Appellee.

APPELLANT'S BRIEF

*Appeal from the United States District Court
for the District of Oregon*

HONORABLE GUS J. SOLOMON, Judge

FILED

AUG 21 1967

WM. B. LUCK, CLERK

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*Appeal from the United States District Court
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HONORABLE GUS J. SOLOMON, Judge

JURISDICTIONAL STATEMENT

The jurisdiction of the District Court was based upon diversity of citizenship and 28 U.S.C. Sec. 1332. The complaint alleges a controversy exceeding \$10,000 (R. 1) between plaintiff, a citizen of Oregon and defendant, a Colorado corporation having its principal place of business in the State of Colorado and authorized to do business in Oregon.

The answer (R. 12) admits that defendant is a Colorado corporation.

The jurisdiction of this court to review said judgment is based on 28 U.S.C. 1261 pursuant to Notice of Appeal timely filed (R. 61), after Plaintiff's Motion to Set Aside Judgment, or to Amend Judgment or in the Alternative for a New Trial was denied (R. 52).

INTRODUCTION

Plaintiff seeks damages resulting from his receiving permanently disabling injuries sustained on February 2, 1965 while employed by a non-complying employer under the Oregon Workmen's Compensation Act in a non-hazardous industry.

Evidence revealed that Defendant Gates is a multi-million dollar closely held Colorado manufacturing corporation of tires and allied rubber products and maintained a warehouse in Portland where plaintiff was employed as a warehouseman.

Gates also owned a separate Colorado corporation, Columbine Stores which was engaged in a hazardous activity in Oregon conducting its business through Buds Tire Exchange in Medford. Columbine, as such, had elected to be subject to the Oregon Workmen's Compensation Act.

In excess of ninety days after plaintiff sustained his injuries, plaintiff's supervisor, being Gates agent, presented plaintiff a claim prepared for his receiving

benefits under the Oregon Workmen's Compensation Act. Plaintiff signed this claim at the request of his supervisor.

Defendant filed this claim with SIAC after the statutory limitation for the filing of a claim had expired. SIAC paid a minimum award.

Defendant presented evidence purporting to show that Columbine was liquidated into Gates two days prior to Plaintiff's injury; and on that basis, then, Gates was engaged in a hazardous industry.

Evidence also revealed that defendant Gates had failed to comply with the statute in that it failed to give the required statutory notice to SIAC that it was engaged in a hazardous activity until May 24th, 1965.

Therefore plaintiff is entitled to a statutory remedy against a non-complying or defaulting employer which includes the receiving of the nominal SIAC award from SIAC in addition to his common law remedy against the non-complying employer. SIAC possesses a statutory lien on any award that plaintiff receives from the non-complying employer.

The issue was segregated on the question of whether by accepting the award from SIAC plaintiff was precluded from seeking his common law remedy.

The court's opinion clearly recognized that there were exceptions to a plaintiff being precluded from exercising his common law remedy on accepting an award from SIAC; but failed to apply the statutory

exception granting plaintiff the right to accept the award and also exercise his common law remedy.

The court's recognition of the Columbine liquidation into Gates gives rise to the statutory exception because of Gates failure to comply with the filing of the statutory prerequisite notice to SIAC until after the injury.

Hence by statutory recognition the SIAC award to plaintiff does not preclude his common law remedy. Plaintiff at no time paid into the SIAC insurance fund, and neither did defendant Gates as the employer of plaintiff.

Defendant's agent in Oregon, being also plaintiff's supervisor was also the registered Oregon corporate agent for the defendant Gates corporation and the Columbine corporation.

STATEMENT OF THE CASE

The Oregon Workmen's Compensation Act grants an injured employee of a non-complying employer the right to receive an award under the Act in addition to exercising his common law remedy against a negligent employer; and the liquidation of a separate entity complying subsidiary corporation engaged in a hazardous industry into the parent corporation will not shield the parent corporation from an action brought by an injured employee of the parent corporation under the "wholly wholly clause of the Workmen's Compensation Act," there being no statutory

compliance by the parent corporation with the State Industrial Accident Commission until after the occurrence of the injury and limitation of time had expired; hence a claim filed and award made by State Industrial Accident Commission to an injured employee of a non-complying corporation will not preclude a separate statutory action against the parent corporation and the parent corporate employer is not entitled to the protections of the Oregon Workman's Compensation Act.

STATEMENT OF THE FACTS

Plaintiff, a ten year employee of Gates, sustained disabling injuries to his back while employed in their Portland warehouse on February 2, 1965.

Gates had previously rejected the provisions of the Oregon Workman's Compensation Act (SIAC) and they were operating a non-hazardous business. Plaintiff participated in a private insurance plan (hospitalization) through payroll deductions.

While this appeal was pending, plaintiff died as a result of the injuries suffered herein and his executor was substituted as appellant.

Plaintiff's testimony was that his family consisted of a wife and four kids (Tr. 39) that on May 20th, 1965 while he was at home following hospitalization and under medication Mr. Elliott the manager of the Portland warehouse brought him an insurance form (Def. Ex. 9) (see also SIAC folder No. 2, Ex. 77, 18,

80 which reveals that defendant filed 3 claim forms on varying dates while plaintiff only signed one claim form.)

That he never paid any contributions to SIAC and kept working until April 20th, 1965 and kept his employer advised of his physical condition (Tr. 41) and that he was told he was under Employers Mutual Insurance (Tr. 42) and he never heard of Columbine Stores; that Bud's Tire Exchange of Medford was a tire agent of Gates; that he had back cancer and was not getting Workman's Compensation and that he was on welfare (Tr. 42).

Mr. Roberts, of counsel for defendant, judicially admitted to the Court (Tr. 3) that Bud's Tire Exchange was subject to the provisions of the Act, and that Columbine, owning Bud's Tire Exchange, was a wholly owned subsidiary of Gates (Tr. 4); that Gates was not under the Act; that Gates liquidated into itself, Columbine on January 31, 1965 (Tr. 4) and in March (Tr. 5) SIAC was notified on a payroll report by the Gates payroll girl (Pl. Ex. 21) and the Feist claim was signed on May 20th, 1965 (Tr. 5) and that the claim was paid on August 5th, 1965.

And by Gates taking over Columbine effective January 31, 1965 the Portland warehouse came under the "Wholly-Wholly" clause (Tr. 6).

Mr. Clostermann, attorney for plaintiff, judicially admitted (Tr. 9) that Feist was an employee of Gates which rejected the Act, that Feist was injured on February 2, 1965, that Gates sent him to a Chiroprac-

tor and he then later went to a medical doctor. He was hospitalized April 21, 1965 and he signed some papers along with the SIAC claim (Def. Ex. 9) on May 21, 1965 and that Feist thought the SIAC form was another type of insurance claim (Tr. 10) and Columbine filed a "Withdrawal Certificate" with Oregon Corporation department dated April 21, 1965 (Pl. Ex. 18) after the accident (Tr. 11) and there was no evidence that either Columbine or Gates complied with the statutory requirements regarding a surviving corporation filing documents of merged, dissolved or liquidated corporations.

Mr. Cooley (Tr. 17) of SIAC testified for defendant that he had the SIAC records (being SIAC files No. 1, 2 and 3 in evidence) and that the Feist petition for rehearing was denied (Tr. 17) and that the Feist claim form (Def. Ex. 9) was not signed by the employer and filed until June 18th, 1965, being a month and a half after Feist signed the form (Tr. 19), that Mr. Matthis was the superior in the Policy Holders Division (SIAC) who wrote a letter regarding coverage (Pl. Ex. 27) (Tr. 20).

Mr. Ewert of SIAC testified for defendant (Tr. 21 et seq) that there was a filing by Columbine Stores January 5, 1962, that there was no reference that Columbine was owned by Gates (Tr. 24) and that he received some information from Mr. Nicolay or Mr. Nettleton (Gates corporate officers in Denver) about April 12, 1965 and that the first notice to SIAC was a payroll report dated March 17th, 1965 (Tr. 26).

Mr. Clostermann stated that Gates had not filed "a doing business as certificate" until May 17th, 1965 (Tr. 29, Pl. Ex. 30).

Plaintiff is setting forth a partial list of exhibits and requests the court read Plaintiff's First Supplemental Memorandum of Law (R. 84) and Plaintiff's Memorandum of Law (R. 63) in which plaintiff has delineated the facts, evidence, exhibits as applied to the law in detail; in addition to Plaintiff's Memorandum in Support of Motion To Set Aside Judgment (R. 52):

<i>Plaintiff Exhibit</i>	<i>Contents</i>
No. 12	Letter Gates to Charles Feist recognition of completing ten years' employment, dated April 30, 1965.
No. 13	Oregon Corporation Department Certificate of Authority as a foreign corporation to Gates, dated August 28, 1963.
No. 17A	Certificate of Authority, Oregon Corporation Department to Columbine Stores dated February 21, 1962.
No. 18 and No. 45, 46, 47, 48, 49.	Certificate of Withdrawal, Oregon Corporation Department to Columbine Stores dated April 26, 1965. This should be examined in the light of Plaintiff's exhibits 45, 46, 47, 48, which show by newspaper advertisements that Bud's Tire Exchange publicly was carrying on business as such until a newspaper announcement was made on March 9 (Pl. Ex. 49), as to a change of name.

- SIAC File No. 3, Ex. 40. Employer's statutory notice to SIAC, application for hazardous industry coverage dated May 20, 1965 and filed May 24, 1965.
- Def. Ex. 9 and SIAC File No. 2, Ex. 77, 78, 80. Def. Ex. No. 9 is the SIAC claim signed by Feist on May 20, 1965 brought to him by his superior Elliott. SIAC exhibits 78, 80 are similar claims filed by Gates on varying dates.

Plaintiff asserts the application of the following provisions of the **Oregon Workman's Compensation Act** in effect at the time of the injury. The Act was changed by the 1965 Legislature and the Act as changed is not applicable herein.

ORS 656.052 "Employers engaged in hazardous occupations to file statement with commission giving address and description of occupation; effect of failure to do so. . . ."

(4) "No employer shall engage in a hazardous occupation if the statement required by this section has not been filed."

(5) "Any employer who engages in a hazardous occupation as defined in ORS 656.082 to 656.086 is not entitled to the benefits of ORS 656.002 to 656.590."

ORS 656.312 "Election to recover damages when right of action exists against third person or delinquent employer."

"If a workman of an employer

engaged in a hazardous occupation in violation of ORS 656.052, or of an employer in default as provided in ORS 656.560 receives an accidental injury due to the negligence or wrong of a third person entitling him under ORS 656.154 to seek remedy against such third person, such workman, or if death results from the injury, the other beneficiaries shall elect whether to recover damages from such employer or third person."

ORS 656.314 "Payment of compensation notwithstanding existence of cause of action; lien of commission on cause of action for compensation paid."

(1) The workman or his beneficiaries, shall be entitled to be paid the benefits provided by ORS 656.002 to 656.590 in the same manner and to the same extent as if no right of action existed against the employer or third party, until the amount of benefits that the workman or beneficiaries are entitled under ORS 656.002 to 656.590 can be determined and until damages are recovered from such employer or third party."

(2) The commission has a lien against the cause of action in the

amount of compensation paid to the workman or his beneficiaries, including the cost of first aid and other medical, surgical and hospital service which lien shall be preferred to all claims except the cost of recovering damages."

ORS 656.274 "Procedure for obtaining compensation, Time within which application must be filed"

(1) No application shall be valid or claim thereunder enforceable in nonfatal cases unless such claim is filed within three months after the date upon which the accident occurred, but the commission may, in its discretion, upon a sufficient showing being made, permit the filing of a claim in a nonfatal case within one year of the time of the accident."

ORS 656.002 Defines employer as any person who contracts to pay a remuneration for and secures the right to direct and control the services of any person.

ORS 656.582 Provides for the Attorney General of Oregon to defend an employer who is subject to the Act and is a defendant in any personal injury action in the event plaintiff's sole right of recovery is under the act.

Plaintiff asserts the application of the following Oregon Corporation Statutes.

CORPORATION STATUTES

- ORS 57.711 Pertains to the merger of foreign corporations in Oregon in accordance with the laws of the state of incorporation; and if there be a surviving corporation it shall within 30 days after the merger is effective file with the Oregon Corporation Commissioner articles of merger.
- ORS 57.595 Provides for merger and consolidation and sets forth the requirements.
- ORS 57.460 Provides for procedures and requirements of consolidation.

SPECIFICATION OF ERROR

The court erred in denying Plaintiff's Motion to Set Aside Judgment, or to Amend the Judgment, or in the Alternative for a New Trial.

SUMMARY OF ARGUMENT

Argument 1

The injured workman may receive an award from SIAC and maintain an action based on negligence against a non-complying employer.

The Oregon Workmen's Compensation Act grants the injured workman of a non-complying employer in

a hazardous industry, the right to receive an award from SIAC in addition to pursuing his common law remedy against his negligence employer.

The District Court by holding that Columbine was liquidated into Gates, in accordance with defendant's evidence on January 31, 1965 and correctly bottoming its decision on the statute (ORS 656.312) then should have followed the same statutory application which grants the workman the right to pursue his remedy against the non-complying employer. The evidence clearly revealed that Gates did not file their compliance with the statute until May 24th, 1965 (SIAC file No. 3, Ex. 40).

Provisions of the statute providing for SIAC coverage are clear (ORS 656.052) and the penalty for failure to comply with the statute is that the employer is denied the protection of the Act.

Collusion between the Gates officials in Denver and the Gates official in Portland is particularly evident. Elliott of Gates in Portland obtained the signature of Feist on a SIAC claim (Def. Ex. 9) on May 20th, 1965, this while Feist was at home under medication recovering from hospitalization. On the same date in Denver, Gates officials signed Employers Notice to Industrial Accident Commission (SIAC file No. 3, Ex. 40).

Defendant, therefore, is shown to be a non-complying employer by the evidence and may proceed in accordance with the statute (ORS 656.312) as the court indicates in its opinion; and also elect to recover dam-

ages against the non-complying employer. This the plaintiff has precisely done. He may accept the award from SIAC and such acceptance will not prejudice his right to a common law action as the employer failed to comply with the statute (ORS 656.314).

Argument 2

A non-complying employer in a hazardous industry is denied the protection of the Oregon Workmen's Compensation Act.

The Act specifically provides that the filing of the statutory notice is the prerequisite to coverage by the employer (ORS 656.052). The evidence clearly reveals that plaintiff was not an employee of Columbine (Tr. 41), he had never made contributions to SIAC (Tr. 42) and plaintiff was told he was covered by Employers Mutual, that he never heard of Columbine and that Bud's Tire Exchange was a tire agent for Gates in Medford. Yet by corporate maneuvering, defendant Gates evidence reveals that Columbine was absorbed by Gates two days prior to the injury. However, the statutory notice by Gates to SIAC could not be back-dated to reflect statutory compliance so as to be granted full compliance under the Act and preclude plaintiff from his common law remedy.

This result is not in conflict with *Bandy v. Norris, Beggs and Simpson*, 222 Or. 1, 342 P.2d 839 or *Kowcum v. Bybee*, 182 Or. 271, 296 (1947).

The rule of law in the *Bandy* decision is based on the premise that in an employee-employer relation-

ship, both paying into and possessing a SIAC policy, the employee may not sue the employer for negligence. The contract with SIAC being the exclusive remedy of the employee. Plaintiff Bandy sought to circumvent the contract with SIAC and proceed against the Employer's Real Estate Agents notwithstanding the fact that the employee relationship was with the owner of the premises on which Bandy was employed.

In both the *Bandy* decision and the *Kowcum* decisions, there was actual SIAC coverage prior to the injury. In the case at bar there was no insurance policy with SIAC prior to the injury. This then gives rise to the statutory exception providing plaintiff with the right to accept a SIAC award and likewise maintain an action against the non-complying employer.

One of the protections of the Act to the employer is that the Act provides for the exclusive remedy to an injured workman; however, as a prerequisite to this protection, there must be full compliance by the employer. In the case at bar there was absent that compliance. Therefore Gates is not entitled to the protection granted by the Act in the *Bandy* and *Kowcum* decisions.

Gates only came within the purview of the Act, when, by its corporate maneuvering, Columbine was "absorbed" into Gates. Gates was then required to make a separate filing.

Gates by not filing under the Act, was then a non-complying employer engaged in a hazardous in-

dustry. This non-compliance then gives statutory sanction (ORS 656.314) to plaintiff accepting a SIAC award and at the same time proceed against the non-complying employer.

There was evidence that Columbine was not "absorbed" or "liquidated" into Gates on January 31, 1965 (Pl. Ex. 45, 46, 47, 48, 49).

Argument 3

The filing of an application for benefits under the Act in excess of the time limitation provided by statute (ORS 656.274, sub 1) clearly precludes the employer from invoking the protection of the Act.

The Act is designed as a protection for the employee and the employer, providing there is proper compliance with the Act. The Oregon Legislature has clearly set the time limitation under the statute. The Supreme Court of Oregon has recently interpreted and approved the statutory time limitation in *Johnson v. Oregon Compensation Department*, 425 P.2d 496 (April 1967); which this court should follow.

The District Court did not have the benefit of this latest decision of the Oregon Supreme Court at the time of its opinion in the case at bar.

The Supreme Court of Oregon applied the statutory interpretation of ORS 656.274, the same being applied in the case at bar, thus: on the question, "When must a claimant for Workmen's Compensation benefit file his claim with the Commission."

The question arose when the Commission denied the filing of a claim by a workman because the claim was not timely filed. The Circuit Court allowed the filing of the claim, although not timely filed. The Supreme Court reversed the trial court, and expressed itself as follows:

“A claimant may file his claim at any time within the first three months after the accident. For the next nine months he can successfully file his claim only if he can make a sufficient showing that his failure to previously file was excusable.”

“The Legislature has provided a relatively ‘tight’ limitation statute for compensation claims and requires early filing,—three months and an additional nine months upon a sufficient showing.”

Applying that clear cut rule of law to the case at bar pertaining to the limitation of time for the filing of a claim, the evidence clearly reveals that defendant filed the Feist claim in excess of three months after the injury (Def. Ex. 9).

There was no evidence that plaintiff made a showing necessary for the claim to be received after the three month limitation based on excusable inability to file the claim. Therefore the defendant did not make a proper filing.

The only legal conclusion, then, is that the award based on the filing was an award under ORS 656.314, which grants plaintiff the right to accept the award from SIAC and proceed against the employer.

It also follows as a conclusion of law that neither the Commission or Court may waive that limitation.

Defendants have produced no evidence that plaintiff filed the application. Plaintiff made no showing of tardiness.

The evidence clearly reveals that it was to the best interests of Gates that a claim be filed and an award made so as to prejudice plaintiff's rights. The evidence clearly reveals that defendant prepared, initiated and filed not only one claim (Def. Ex. 9) after the limitation but similar claims were filed by Gates officials subsequent to the later filing of the original (see SIAC file No. 2, Ex. 77, 18, 80). Plaintiff signed the original claim (Def. Ex. 9) thinking it was an insurance form on May 20th, 1965 (Tr. 40, 42).

Obviously the protection of the Oregon Workmen's Compensation Act is denied the defendant. The opinion of the District Court (R. 43, 60) clearly places plaintiff in the statutory position of exercising his rights against a non-complying employer in an industry made hazardous by the questionable absorption of Columbine by Gates.

SIAC possesses a statutory lien on funds which plaintiff will recover from Gates at a trial on the merits. These funds are not due SIAC until Plaintiff receives the award from Gates in accordance with the statute (ORS 656.314).

Defendants, by initiating, preparing and consummating the filing of the claim (Def. Ex. 9) actually

precipitated a situation which would not preclude or exclude plaintiff from his common law remedy.

SUMMATION OF ARGUMENT

An initial examination of the plaintiff's and defendant's legal positions might well lead experienced court and counsel to rely on the circumstances which might well indicate that Plaintiff is denied his common law remedy against his employer by reason of his accepting an award from SIAC. The District Court clearly recognized that Columbine was "liquidated" into Gates, despite the back dating of the purported ceasing of doing business in Oregon by Columbine filed April 21, 1965 (Pl. Ex. 18), and despite the fact that Columbine failed to comply with Oregon Corporation statutes (ORS 57.711; 57.595; 57.460) providing for the merger, consolidation of foreign corporations in Oregon and the requirements in Oregon. In any event, Columbine is still a recognized Colorado Corporation (Pl. Ex. 20A).

The opinion of the court clearly recognized that there were exceptions to a plaintiff being limited to his recovery under the Act; but failed to apply the statutory exception to the limitation, viz, against a non-complying employer.

Plaintiff sustained his injury on February 2, 1965, and on April 20th he entered a hospital for treatment and subsequent to the hospitalization he was under medication at home when Gates initiated and prepared a SIAC claim. Even on May 20th, 1965

this date was in excess of three months after the injury. Subsequently, evidence reveals that Gates filed similar claims. Likewise on May 20th, 1965 Gates officials in Denver prepared and filed their Employers Notice to Industrial Accident Commission to engage in a hazardous industry (SIAC File No. 3, Ex. 40). On May 21, 1965, Gates officials in Denver filed their rejection of the Oregon Workman's Compensation Act.

Gates after initiating and preparing the Feist claim procured the filing of the claim on May 24th, well in excess of the limitation of time for the filing of the application. The Court and the Commission is precluded from waiving the time limitation, in accordance with the rule in *Johnson v. Compensation Department*.

Gates as such, and while Feist was in their employ was engaged in a non-hazardous industry. Columbine, a separate corporation, was purportedly absorbed by Gates two days prior to the accident suffered by plaintiff. It was engaged in a hazardous industry. Gates sought to circumvent their liability to Feist by leaning on their absorption of Columbine, preparing and initiating an application for the Feist claim after the ninety day limitation. Feist accepted an award, at that time he was on welfare (Tr. 42).

Theoretically, the acceptance of an award from SIAC would exclude plaintiff from seeking a remedy against his employer. However the exclusion is premised on the legal compliance with the Act. Gates by engaging in a hazardous industry and not having

complied with the provisions of the statute is therefore within the exception referred to by the District Judge which grants plaintiff the right to accept the award from SIAC and at the same time maintain a right of action based on negligence against his employer.

The following decisions of the Supreme Court of Oregon are generally applicable herein:

“Waiver or estoppel cannot be the basis for creating a contract of coverage where no such contract previously existed,” see *Shaffer v. Mill Owners*, 407 P.2d 614 (Or. 1966); obviously there was no contract of coverage in the case at bar, between Gates and SIAC prior to Feist sustaining his injury.

That SIAC administers a trust fund and the state cannot be estopped by the unauthorized acts of its officers charged with the administration of the fund to pay compensation to a person not entitled thereto. See *Allen v. SIAC*, 200 Or. 521, 265 P.2d 1086. The only reasonable legal interpretation in the case at bar is that Plaintiff exercised his election to proceed against the employer in accordance with the statute (ORS 656.314) with SIAC retaining a lien on the recovery by plaintiff.

The Supreme Court of Oregon has recognized the existence and validity of the common law right of an injured workman to proceed against his employer and that right should not be taken away in the absence of a clear and concise expression compelling that conclusion. See *Newell v. Taylor*, 212 Or. 522, 321 P.2d 294.

The whole scheme of the Act is statutory and in acquiring jurisdiction in pursuit of a statutory remedy the requirements of the enactment must be complied with. See *Gerber v. SIAC*, 164 Or. 353, 101 P.2d 416.

And that SIAC is an insurer within the meaning of the term, is an expression of the Attorney General of Oregon, see 18 Op. Atty. Gen. 31 (1936-38). Obviously in the case at bar, Gates attempted to circumvent the Act by "absorbing Columbine, after the injury; then preparing and initiating the filing of a claim after the purported absorption of Columbine. This then places defendant Gates in the position of attempting to obtain an insurance policy after an injury has occurred; and procuring the filing of the policy after the limitation of time had expired.

Obviously an employer not operating under the Act is deprived of his common law defenses. See *Brady v. Oregon Lumber Company*, 117 Or. 188, 243 P.2d 96, and there was no evidence that Gates was operating under the act at the time of the injury.

A corporation is a legal entity separate and distinct from stockholders, directors and officers. See *Finn v. Mickle Lmbr. Co.*, 41 F.2d 676 (9th Cir.).

There was no privity between plaintiff and Columbine and hence Gates may not avail itself of its relationship between itself and a separate corporate entity to exclude plaintiff from his common law rights in accordance with statute. Gates and Columbine were separate legal entities.

CONCLUSION

The evidence is clear that Gates was a non-complying employer under the Oregon Workman's Compensation Act because of their failure to file their statutory notice with SIAC. The opinion of the District Court reveals that Gates presented evidence that Columbine was absorbed by Gates two days prior to the plaintiff sustaining his injury. Plaintiff was an employee of Gates, Columbine was a separate corporation. Gates by "absorbing Columbine, then was operating a hazardous industry as a non-complying employer.

Therefore defendant engaged in the operation of a hazardous industry cannot avail itself of the protection of the Act, and likewise is prohibited by statute from excluding plaintiff from his common law remedy even though plaintiff has accepted an award from SIAC.

Therefore the judgment rendered in the District Court on the segregated issue, should be reversed, or amended to include the statutory exception to which the court incorporated in the opinion or at least a new trial on the segregated issue.

Respectfully submitted

ADELBERT G. CLOSTERMANN
Attorney for Appellants

CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

ADELBERT G. CLOSTERMANN
Attorney for Appellants

No. 21774

United States
COURT OF APPEALS
for the Ninth Circuit

ADELBERT G. CLOSTERMANN,
Executor of the Estate of Charles W. Feist,
Deceased,

Appellant,

v.

THE GATES RUBBER COMPANY,
a Colorado corporation,

Appellee,

APPELLEE'S ANSWERING BRIEF

*Appeal from the United States District Court
for the District of Oregon*

HONORABLE GUS J. SOLOMON, Chief Judge

FILED

NOV 15 1967

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No. 21774

United States
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ADELBERT G. CLOSTERMANN,
Executor of the Estate of Charles W. Feist,
Deceased,

Appellant,

v.

THE GATES RUBBER COMPANY,
a Colorado corporation,

Appellee,

APPELLEE'S ANSWERING BRIEF

*Appeal from the United States District Court
for the District of Oregon*

HONORABLE GUS J. SOLOMON, Chief Judge

JURISDICTIONAL STATEMENT

Appellant's reference to 28 U.S.C. § 1261 (Br. 2) as the foundation for this Court's jurisdiction is faulty; this Court's jurisdiction is premised upon 28 U.S.C. 1291.

STATEMENT OF THE CASE

Appellant's counsel certifies that he examined U. S. Ct. of App. 9th Cir. Rules 18, 19 and 39, 28 U.S.C. (Br. 24) in connection with his preparation of the brief. Assuming the accuracy of the certification, it is obvious that appellant violated these rules. Some of the more glaring errors were brought to this Court's attention in appellee's motion to dismiss (denied October 10, 1967).

Appellee must now assume the expense and burden of preparing an extensive answering brief where a much less lengthy brief would normally suffice. Appellee must not only produce a full and fair factual statement of the case but also prepare appendices of statutes and exhibits. This Court will perceive that no appendix of appropriate statutes has been provided, although some repealed and inappropriate statutory material is abstracted and improperly paraphrased (Br. 9-12). There is no complete listing of exhibits (Br. 8-9). (See Appendix A and Appendix B, *infra*.)

1. "Introduction"

Appellee rejects appellant's "introduction" (Br. 2-4); this Court's rules envision no such section. The "introductory" matter repeats material presented elsewhere and ignores the express findings of the District Court. It is wholly argumentative and misleading.

The second paragraph (Br. 2) is irrelevant and there are no record citations to support the "poverty plea" there utilized to gain sympathy.

The fourth paragraph (Br. 2-3) (unsupported by record reference) does not accord with the facts. The fifth paragraph (Br. 3) suffers from like deficiencies and also constitutes a legal conclusion which was found adversely to the appellant at the District Court level.

The seventh paragraph (Br. 3) is unsupported by citations, is an erroneous legal conclusion, and is contrary to the findings of the District Court.

The eighth paragraph (Br. 3) is a statement of appellant's contentions, unsupported by notation that the District Court made a contrary determination; this statement is couched in misleading terms.

The tenth paragraph (Br. 3-4) is an unfair and argumentative interpretation of the District Court judgment.

The eleventh and twelfth paragraphs are statements of some of the appellant's contentions, phrased in misleading terms of fact and argument, all of which were found adversely to the appellant at the District Court level.

2. "Statement of the Case."

Appellee rejects appellant's "Statement of the Case" (Br. 4-5).

The statement consists of one sentence 21 lines

long of a virtually incomprehensible nature. It is not a statement of the case as required by this Court. The sentence contains no record references and fails to adequately refer to the legal proposition apparently relied on by appellant.

3. "Statement of the Facts."

Appellee rejects appellant's "Statement of the Facts" (Br. 5-12) as being unfair, argumentative and incomplete. For a more extensive comment upon the multitude of defects afflicting the "Statement of the Facts," appellee refers to and expressly incorporates herein its affidavit, memorandum in support and motion to dismiss.¹

Gates Rubber Company (hereinafter referred to as "Gates"), a Colorado corporation, maintained a warehouse in Portland, Oregon for a number of years prior to the date of Mr. Feist's injury (II R. 31).

Columbine Stores, Inc. (hereinafter referred to as "Columbine") was a wholly-owned subsidiary of Gates [I R. 46 (Op. 4), Def. Ex. 3-7, 9-11, 11a-11d].² Columbine took over the operation of Bud's

¹ An example of internal inconsistency is appellant's assertion that Mr. Elliott brought a claim form to Mr. Feist while the latter was under sedation (Br. 5). II R. 40 does not reveal whether or not Mr. Elliott personally called upon Mr. Feist. However, on numerous occasions counsel averred that the form was directed to Mr. Feist by mail. See, e.g., I R. 64, 87, II R. 9-10.

² There are three large State Industrial Accident Commission (hereinafter "S.I.A.C.") files in evidence. The foregoing exhibit numbers relate to those files generally according to the record supplied appellee. Appellee is not attuned

Tire Exchange, Inc., in January, 1962 (II R. 24). Pursuant to the Oregon Workmen's Compensation Act, Bud's Tire Exchange, Inc., was considered by the State Industrial Accident Commission to be a hazardous occupation; as such, Columbine was covered by the Act pursuant to its filing of January 5, 1962 (II R. 24). Due to the expense and difficulty of altering coverage under the then-existing Act, Columbine was permitted by the State Industrial Accident Commission to continue coverage and payment under the name of "Bud's Tire Exchange" with a cross-reference to Columbine Stores, Inc. (Def. Ex. 3-7, 9-11, 11a-11d; particularly inter-office memo June 30, 1965; cf. II R. 24).

The Oregon Workmen's Compensation Law was changed radically by the 1965 Legislature (effective January 1, 1966).³ Since the injury and claim herein antedated the new Act, references in this brief are to the applicable portions of the "old" (pre-1966) Workmen's Compensation Law.

On January 31, 1965, Columbine was merged into Gates and, as such, Columbine ceased actively doing business in Oregon the next day (II R. 22-23; Def. Ex. 1; I R. 46; Def. Ex. 3-7, 9-11, 11a-11d, especially letter of August 24, 1965). Gates was now un-

to the numbering system utilized by Appellant, e.g., references to S.I.A.C. files, Ex. 77, 78, 80 (Br. 5-6). Gates intends to refer on appropriate occasion to the S.I.A.C. files and records and, where possible, will specify the particular documents to which reference is intended.

³ Except as to benefit provisions, which were effective earlier, but which have no effect upon the instant litigation.

der the Act by virtue of the "wholly-wholly" clause. ORS 656.022 (1965). At that time, Gates was covered and contributing to the fund, pursuant to the Oregon Workmen's Compensation Act (Def. Ex. 3-7, 9-11, 11a-11d, especially letter to Gates June 9, 1965; I R. 46).

The employer's monthly payroll and contribution report was made out by the Gates' clerk on March 15, 1965; in that report, the name "Bud's Tire Exchange" was obliterated and above it "Gates Tire Center, Medford," was inserted (Def. Ex. 3-7, 9-11, 11a-11d; Employer's Payroll and Contribution Report). The State Industrial Accident Commission received this report on March 17, 1965 (*Ibid*). A second notice was given on May 24, 1965 (Pl. Ex. 27). Although the reasons for the two notices were fully explained on trial (II R. 24-27), appellant still contends that the first notice was filed on May 24, 1965 (Br. 13).

Mr. Feist was the original plaintiff in the action; during the pendency of appeal he died and his attorney, in his capacity as executor, has been substituted as party-appellant.

Mr. Feist was a 10-year employee of Gates (II R. 41). On February 2, 1965, (subsequent to the merger of Columbine and Gates) Mr. Feist allegedly sustained an injury in the course and scope of his employment at the Gates' warehouse in Portland (Def. Ex. 9; II R. 43; I R. 2). Mr. Feist asserted that he was unable to continue work because of back

pain on April 22, 1965 (Def. Ex. 3-7, 9-11, 11a-11d). He was treated by a chiropractor on February 2, 3 and 4, 1965, for a lumbosacral sprain and possible deranged vertebra (Def. Ex. 3-7, 9-11, 11a-11d; particularly "Report of Investigator"). Subsequently, plaintiff was examined by numerous doctors and was hospitalized at various times because of complaints of back pain. (See generally Def. Ex. 2-7, 9-11, 11a-11d.) On May 20, 1965, Mr. Feist signed a State Industrial Accident Commission claim form (Def. Ex. 9). The form was signed by his doctor on May 21, 1965 (Def. Ex. 9), and was received by the State Industrial Accident Commission on May 24, 1965.

Pursuant to receipt of the claim form, the State Industrial Accident Commission returned it to Gates Rubber Company, the employer, on June 17, 1965, in order to obtain the appropriate signature (Def. Ex. 3-7, 9-11, 11a-11d; see Form 245, "Approval Required"). Mr. L. G. Gooley, assistant custodian of the State Compensation Department records, testified that lack of an employer's signature was not an unusual occurrence (II R. 18). One copy of the claim form was signed by Mr. Elliott, an employee of Gates Rubber Company, in Portland on June 18, 1965; a second form was signed on June 24, 1965. Another copy was filed without signature.

On July 28, 1965, the State Industrial Accident Commission received an investigation report from Mr. Calvin R. Bermeer, stating that during part

of the time between injury and filing, Mr. Feist had been under sedation (Def. Ex. 3-7, 9-11, 11a-11d).

The State Industrial Accident Commission entered its order of August 5, 1965, awarding Mr. Feist compensation for temporary total disability and for medical expenses from April 22, 1965, to June 30, 1965, (I R. 44; Def. Ex. 11). Mr. Feist's expenses were paid pursuant to the order only to the time of discovery of a cancerous condition; the Commission disclaimed responsibility for the cancerous condition as not resulting from the injury of February 2, 1965 (Def. Ex. 3-7, 9-11, 11a-11d; Letter of November 18, 1965).

On October 14, 1965, Mr. Feist, through his attorney, Mr. Clostermann (the present plaintiff) filed an application for rehearing with the State Industrial Accident Commission (Def. Ex. 3-7, 9-11, 11a-11d; application for rehearing and letter of October 13, 1965). On October 21, 1965, this application was denied because of untimely filing (Def. Ex. 10).

Mr. Feist, through his attorney, Mr. Clostermann, filed a complaint and demand for jury trial in the United States District Court for the District of Oregon on September 13, 1965 (I R. 8). He averred damages for personal injuries arising out of an accidental injury sustained in the course and scope of his employment for the defendant. *Ibid.*

Defendant-appellee Gates answered, generally denying plaintiff's contentions, and affirmatively alleging contributory negligence. *A second affirmative*

and supplemental defense alleged that, on February 2, 1965, appellee was an employer in Oregon covered by the Oregon Workmen's Compensation law; that subsequent to the date of the alleged injury plaintiff had made claim with the State Industrial Accident Commission for remedies and benefits provided by such law; that his claim had been approved and allowed; that plaintiff had received and accepted the remedies and benefits of the Workmen's Compensation Act and was therefore exclusively confined to the remedies of that law (I R. 12-13).

On November 2, 1965, plaintiff filed a "Reply" (I R. 15-16) admitting that the State Industrial Accident Commission did make payment to the plaintiff but asserting that the payments were not made pursuant to law but rather "erroneously, illegally and unlawfully made by the Commission under a mistake of law and fact and a complete misunderstanding between defendant, plaintiff and the State Industrial Accident Commission of Oregon, and plaintiff has no authority to receive any remedies purportedly granted pursuant to said Act." (I R. 16.)

The issue of whether appellant's sole and exclusive remedy against defendant was pursuant to the Oregon Workmen's Compensation Act was segregated and tried to the Court sitting without a jury (see e.g. I R. 43-44). All other issues and defenses were reserved.

Following presentation of evidence on two separate occasions, the submission of exhaustive legal

memoranda (I R. 63-125), and oral argument, the Honorable Gus J. Solomon, Chief Judge of the United States District Court for the District of Oregon, ordered dismissal of plaintiff's action. A judgment order dated November 25, 1966, was entered (I R. 48; see also opinion accompanying judgment, I R. 43-47).

On December 5, 1966, appellant filed his "Motion to Set Aside Judgment or to Amend Judgment, or in the Alternative, a New Trial" (I R. 49). This motion likewise was the subject of extensive memoranda and briefing (I R. 46-48). The motion to set aside judgment was denied (I R. 60) by docket entry of January 17, 1967.

Notice of Appeal was filed February 15, 1967 (I R. 61) from the order of January 17, 1967. Appellant's assertions to the contrary notwithstanding, no statement of points on appeal was ever filed and no designation of the record was ever made (Affidavit of Ridgway K. Foley, Jr., 2, in support of appellee's motion to dismiss).

SPECIFICATION OF ERROR

Appellee rejects appellant's specification of error (Br. 12). The proper order from which an appeal was to be taken was the judgment order entered November 25, 1966. There is no specification in appellant's brief concerning the November 25, 1966 judgment. The specification itself is a recognition of the

limited grounds upon which the appellant may appeal. Nevertheless, appellant wanders far afield in his argument, attempting to reopen the November judgment. This Court, in its discretion, should refuse to consider any points relating to the judgment of November 25, 1966, and should treat these grounds as waived. See *Mason v. Anderson-Cottonwood Irrigation District*, 126 F.2d 921 (9th Cir. 1952) (cert. denied 316 U.S. 697, rehearing denied 317 U. S. 704); *United States v. Shingle*, 91 F.2d 85 (9th Cir. 1937) (cert. denied 302 U.S. 746); *Dower v. United Air Lines, Inc.*, 372 F.2d 684 (9th Cir. 1954); *Greyhound Corporation v. Blakley*, 262 F.2d 401 (9th Cir. 1958).

Moreover, appellant claims "error" in denial of his motion to set aside or amend the judgment. Such a denial must have been premised upon findings of fact and/or conclusions of law made by the District Court. U. S. Ct. of App. 9th Cir. Rule 18 (2) (d), 28 U.S.C., provides that the appellant must set out with precision wherein the findings of fact and conclusions of law are erroneous. Appellant has not done this. Appellant's brief makes no reference to the proceedings concerning the denial of the motion from which he appeals. Obviously, appellant should have quoted the findings and conclusions considered erroneous, specified the grounds urged at trial for objection to these rulings and any evidence appropriate thereto, and referred to the location in the record where the conduct occurred. Failing this, this Court is not required to consider any "error" presented by

the so-called specification of error. cf. *Ambrose v. United States*, 280 F.2d 766 (9th Cir. 1950).

SUMMARY OF ARGUMENT

Columbine was, in fact, liquidated into, or merged with, Gates on January 31, 1965. At the time of the injury, Gates and its employee, Mr. Feist, were subject to the Oregon Workmen's Compensation Act. None of the ORS 656.312 (1965) exceptions altered Mr. Feist's status. Furthermore, there were ample procedural grounds upon which the District Court could base a decision denying Mr. Feist's motion for a new trial. The fact that application for benefits under the Act was filed beyond the time limitation imposed by ORS 656.274 (1965) does not preclude the employer from invoking the protection of the Workmen's Compensation Act.

The District Court found as a fact that Mr. Feist's employer, Gates, was a contributor to the State Industrial Accident Fund at the time of the injury. The District Court concluded that Mr. Feist's sole and exclusive remedy was his claim against the fund. There is substantial evidence supporting the District Court's findings and conclusions, and the judgment should be affirmed; the decision was not "clearly erroneous" and this Court cannot say that it has a "firm conviction" that error was committed.

1. Columbine Stores, Inc., was, in fact, merged into the Gates Rubber Company on January 31, 1965.

Throughout his brief, appellant continually asserts that Columbine was not merged into Gates on January 31, 1965 (Br. 16). Such statements are misleading and incorrect.

First, the trial court's opinion (I R. 46) held that Columbine was liquidated into Gates on January 31, 1965. There was abundant evidence to support this determination (II R. 22-23; Def. Ex. 1; Def. Ex. 3-7, 9-11, 11a-11d generally).

The District Court's opinion, amply supported by the evidence, correctly indicates the facts existing at the time of the corporate merger. Such a finding of fact by the trial court, based upon both written and testimonial evidence, should not be disturbed by this Court. See e.g., Rule 52, Fed. R. Civ. P., 28 U.S.C.; *General Casualty Company v. School District No. 5, Baker County, State of Oregon, ex rel F. C. Lyons*, 233 F.2d 526 (9th Cir. 1956); *McAllister v. U. S.*, 348 U.S. 19 (1954); *Commissioner of Internal Revenue v. Duberstein*, 363 U.S. 278 (1960); *United States v. Gypsum Co.*, 333 U.S. 364 (1948) (rehearing denied 333 U.S. 869).

In addition to making sniping asides regarding the liquidation or merger of Columbine into Gates on January 31, 1965, appellant's continued use of such words as "collusion" (Br. 13) and "corporate maneuvering" (Br. 14-15) are a blatant attempt to

influence this Court. Appellant has judicially admitted the absence of fraud in the instant case. The District Court ruled that no issue of fraud existed (II R. 29). Appellant's claim that Columbine was not liquidated or merged into Gates on January 31, 1965, in face of the admissions, statements and evidence is nothing less than an allegation of fraud against Gates and the State Industrial Accident Commission, despite his judicial admissions to the contrary (II R. 28-29).

Moreover, it is illogical to assert that a "multi-million dollar corporation" (Br. 2) would assume the cost and trouble, let alone the possibility of severe legal consequences, of so-called "corporate maneuvering" in order to insulate itself from liability founded upon the dubious claim of a single workman. Such an assertion seems particularly inherently improbable when examined in light of the facts of this case. There is no reason to assume that the liquidation/merger did not occur on January 31, 1965. There is no evidence the consolidation did not occur. Any assertion to the contrary is explicable by appellant's misunderstanding of the corporate records.

2. The trial court correctly determined that Gates was to be granted the protection of the Workmen's Compensation law in this case.

Appellee deems it appropriate to subdivide its second argument into three sections because of the incomprehensible argument presented by appellant.

(a) Gates and its employee, Mr. Feist, were subject to the Act at the time of the injury.

Columbine, doing business as Bud's Tire Exchange, Inc., was engaged in a hazardous occupation and made proper filing pursuant to the existent Workmen's Compensation Act (I R. 46). It contributed to the State Industrial Accident fund (II R. 22). When Columbine was liquidated into, or merged with, Gates on January 31, 1965 (I R. 46; II R. 22-23; Def. Ex. 1; Def. Ex. 3-7, 9-11, 11a-11d), Gates became subject to the Workmen's Compensation Act, pursuant to the "wholly, wholly" clause of ORS 656.022 (1965). At this point, automatic coverage pursuant to the Act was afforded Gates and its employees until June 30, 1965. ORS 656.026 (1965). This coverage would have existed even if Gates had rejected the Act immediately upon the merger with Columbine (I R. 46). The records reveal contribution by Gates to the Fund (Def. Ex. 3-7, 9-11, 11a-11d) and based upon these contributions, Mr. Feist was able to recover temporary total disability payments and medical reimbursement.

Since the automatic coverage was afforded both employer and employee, once the plaintiff had "knowingly applied for and received Workmen's Compensation benefits" he was precluded from bringing any action for damages against his employer. ORS 656.152 (1965); *Shoemaker v. Johnson*, 241 Or. 511, 407 P.2d 257 (1965); *Bandy v. Norris, Beggs & Simpson*, 222 Or. 1, 19, 342 P.2d 839, 351 P.2d 445 (1960);

Kowcun v. Bybee, 182 Or. 271, 296, 186 P.2d 790 (1947).

(b) No appropriate exception pursuant to ORS 656.312 (1965) exists in the present case.

Appellant contends that Gates' alleged violation of ORS 656.052 (1965) operated to bring into play an exception under ORS 656.312 (1965) (as explained in *Kowcun v. Bybee*, supra, 182 Or. at 296), thereby permitting Mr. Feist to commence an action against Gates for damages notwithstanding his pursuit of the compensation remedy. However, appellant misinterprets the affect of the Act on the present situation.

Initially, which subsection of ORS 656.052 (1965) applies to this litigation? Appellant's brief presents a misleading synopsis of the statute by quoting merely the title thereof, and two sections which state the result of the statute (Br. 9). The statute in its entirety envisions three separate possibilities (see App. A, infra), any one of which might arguably apply to the present situation. Each would have a distinct and separate effect.

The first possibility concerns a situation where an employer *begins* to engage in a hazardous activity. Here the employer must file notice of the fact that he is going to commence operations in a hazardous activity before he actually begins.

The second alternative concerns a situation where an employer changes his name and address. The em-

ployer must file an amended statement giving his new name and address within 30 days.

The third situation concerns an employer who has filed the requisite notice pursuant to this statute, or who is a contributor to the fund upon a nonhazardous-activity basis; when such an employer subsequently commences to engage in a hazardous activity incidental to such an occupation, *no notice need be filed*. If the occupation is separate from the original activity, then notice is required pursuant to this subsection.

The facts presented, and as found by the District Court, indicate that the application of the third subsection of ORS 656.052 (1965) would be most consonant with legislative intention. The employer, Gates, by means of its wholly-owned subsidiary, Columbine, had filed the required notice (I R. 46) and had contributed to the State Industrial Accident Fund (II R. 22). When the liquidation and merger of Columbine into Gates occurred on January 31, 1965, Gates then became engaged in a hazardous occupation (the Medford tire recapping operation) incidental to its major operations in the state of Oregon. The nature of the two businesses reveals the incidental effect of the Medford division. In such a case, no notice pursuant to ORS 656.052(3) (1965) is required. Therefore, Gates did not violate ORS 656.052 (1965). Lacking a violation, no exception pursuant to ORS 656.312 (1965) is appropriate. If there is no exception under ORS 656.312 (1965), appellant is preclud-

ed from bringing this action. ORS 656.152 (1965); *Bandy v. Norris, Beggs & Simpson*, supra; *Kowcun v. Bybee*, supra.

The District Court was aware that the State Industrial Accident Commission had applied the appropriate subsection. The required statutory notice had been filed by a firm engaged in a hazardous industry. That company had subsequently been merged into the parent company and no statutory notice was filed at that time. Upon a determination that continuity exists between employers providing employee coverage (notwithstanding any mechanics of corporate merger), it is the practice of the State Industrial Accident Commission to treat the required notice as having been given. This administrative policy was evidenced by: (1) several exhibits (there are three State Industrial Accident Commission files in evidence, and numerous documents contained therein, particularly a letter of April 21, 1965, which evidence this policy); (2) the fact that the claim in the instant case was not made "a cost-recovery claim" pursuant to ORS 656.054 (1965) and (3) the fact that the State Industrial Accident Commission did not compel Mr. Feist to bring an action for damages against his employer pursuant to ORS 656.315 (1965).

The administrative policy is not without sound support and the implicit major premise has been judicially recognized as recently as *Long v. State Industrial Accident Commission*, — Or. —, 424 P.2d 236, 239 (1967).

“It is clear here that Mr. McBride did not abandon his occupation as a nursing home operator; nor did he change his place of business. The state concedes not only that the Hillsboro Nursing Home continued in full operation during this entire period and thereafter, but that the accident happened within 30 days after plaintiff began working at Hillaire. The statute proscribes an employer from changing his place of business. It nowhere proscribes an employer from adding a second or additional place of business, whether permanently or temporarily. It is the identity of the occupation which is significant; not the name under which it is carried on. A jury could well find Mr. McBride merely extended his existing occupation temporarily to include a second establishment.”

Appellee believes that the foregoing sufficiently answers any possible contention of noncompliance with the statute. Nevertheless, additional briefing is required by the vagueness of appellant's brief. The preceding analysis conforms to the District Court's opinion and should be given great weight since it was supported by clear and substantial evidence.

The second possible alternative would be the application of ORS 656.052(2) (1965): change of name and address. The District Court determined that Columbine had made proper filing [pursuant to ORS 656.052 (1965)] with the State Industrial Accident Commission (I R. 46). Appellant does not dispute this fact. It is possible to interpret the merger of Columbine and Gates as a “change of employer's name.”

If so interpreted, the employer is permitted 30 days within which to file his notice [ORS 656.052(2) (1965)]. The State Industrial Accident Commission received notice March 17, 1965, some 15 days after the 30-day grace period provided by ORS 656.052(2) (1965). (Def. Ex. 3-7, 9-11, 11a-11d; II R. 25-27).

ORS 656.052(2) (1965) grants the employer a 30-day "grace period" within which to file the required notice before he violates the statute. An employer cannot violate ORS 656.052 (1965) until the lapse of 30 days from the time of the event necessitating notice.

Mr. Feist was injured on February 2, 1965 (I R. 46). This was 28 days before the lapse of the statutory grace period. Since Mr. Feist was injured during the grace period, if subsection (2) applies, Gates is not to be denied the benefits of ORS 656.002 to ORS 656.590 (1965). Moreover, ORS 656.312 (1965) would only provide appellant's claimed exception to the *Kowcun*, supra, and *Bandy*, supra, decisions if a violation of ORS 656.052 (1965) is present. Without violation, ORS 656.312 (1965) is inapplicable and Mr. Feist is precluded from pursuing any action against Gates because he knowingly and intentionally received compensation pursuant to the Act. ORS 656.152 (1965); *Bandy v. Norris, Beggs & Simpson*, supra; *Kowcun v. Bybee*, supra.

The third possible alternative (and the least likely) is the application of ORS 656.052(1) (1965). Apparently that is the premise of appellant's claim.

ORS 656.052(1) (1965) *applies only when, without any previous connection with the Workmen's Compensation Act (either directly or indirectly by virtue of operations of subsidiaries) an employer commences to engage in a hazardous occupation.* This subsection does not apply to the instant case and the trial court should be affirmed.

In determining that either ORS 656.052(2) or (3) (1965) applied to the present case, the District Court was interpreting Oregon law. In so doing, it did not have the benefit of any Oregon Supreme Court decisions directly on point. Judge Solomon was in the position of being a local judge, with a long tenure on the bench and extensive prior experience in private practice in Oregon. He was in an excellent position to interpret local law. In such a case, this Court has believed that the considered views of the District Court should be accepted unless the appellate court is clearly persuaded that they are erroneous. *Western Oil & Fuel Company v. Kemp*, 245 F.2d 633, 644 (9th Cir. 1957); *Citrigno v. Williams*, 255 F.2d 675 (9th Cir. 1958); *Bellon v. Heinzig*, 347 F.2d 4 (9th Cir. 1965). Can this Court say that the Chief Judge of the Oregon District Court based his opinion upon something less than clear and substantial evidence and that his findings and conclusions leave this Court with a firm conviction of error? The answer is *no*.

There are no Oregon cases indicating that the court erred in his interpretation of ORS 656.052

(1965). To the contrary, the manner in which the claim was handled by the State Industrial Accident Commission (the administrative body which, at the appropriate time, was charged with initial administration of the law) clearly reinforces the validity of the trial court's ruling. Gates did contribute to the fund, so there was no intent to evade the law; clearly the purposes of the Workmen's Compensation Act have been met. Appellant certainly has not offered either citation or evidence to show the District Court decision to be clearly erroneous.

Therefore, since the statutory exception provided by ORS 656.312 (1965) was inapplicable to the present case, Mr. Feist was precluded from pursuing an action for damages against his employer because he knowingly applied for and received benefits under the Workmen's Compensation Act. ORS 656.152 (1965); *Bandy v. Norris, Beggs & Simpson*, supra; *Kowcun v. Bybee*, supra. Mr. Feist never tendered back any funds received from the State Industrial Accident Commission.

(c) There are procedural grounds upon which the District Court could have based its decision denying the motion for a new trial.

Heretofore Gates has demonstrated that there were substantive grounds supporting the District Court's ruling denying the motion of Mr. Feist for a new trial or to amend judgment. In addition, procedural grounds for the denial were present.

The Oregon Supreme Court in *Bandy v. Norris*,

Beggs & Simpson, 222 Or. 1, 19, 342 P.2d 839, 351 P.2d 445 (1960), stated:

“* * *. Therefore plaintiff, since she is proceeding against an employer, unless she denies having received benefits, must now allege and show that she comes under one of the exceptions of ORS 656.312. * * *.”

Mr. Feist thus had the burden of proving any exception at trial. However, the issue was not even raised at trial. (See I R. 1-48, *Passim*.) Appellant first mentioned the possibility of such an exception upon the motion for a new trial. Thus, appellant failed to sustain the burden of proof at trial as required by *Bandy*, *supra*, and the District Court, in its discretion could deny the motion for a new trial. This would be a proper case for such a discretionary act.

What Mr. Feist actually tried to do was to raise a new theory upon his motion for a new trial. 6A Moore's Federal Practice (2nd. ed.) 3769, § 59.07, states:

“Just as at law, a rehearing in equity and its present counterpart, a new trial on a court action, will not lie merely to relitigate old matters; nor will a new trial normally be granted to enable the movant to present his case under a different theory than he adopted at the former trial.”

Since Mr. Feist was attempting to present a novel theory upon his motion for new trial, the District Court had adequate procedural grounds to deny such a motion.

Additionally, the grant or denial for a motion for a new trial pursuant to Rule 59(b), Fed. R. Civ. P., 28 U.S.C. is a matter which is largely within the District Court's discretion. *Natural Resources, Inc. v. Wineberg*, 349 F.2d 685 (9th Cir. 1965) (cert. denied 382 U.S. 1010); *States v. Isthmian Lines*, 319 F.2d 798 (9th Cir. 1963). Unless clearly abused, the Appellate Court will not disturb the trial court's exercise of its discretion. *Norwich Union Fire Society, Ltd. v. Glasser*, 294 F.2d 385 (9th Cir. 1955).

3. The fact that an application for benefits pursuant to the Workmen's Compensation Law was filed beyond the time limitation imposed by O.R.S. 656.274 (1965) does not preclude the employer from invoking the protection of the Act.

Appellant claims the recent decision of *Johnson v. State Compensation Department*, — Or. —, 425 P.2d 496 (1967) has some important effect upon the rights of the parties (Br. 16). This contention demonstrates confusion regarding the applicable law.

Johnson, supra, in no way altered the rules appropriate to the instant case. Numerous Oregon decisions have held that the time limitation pursuant to ORS 656.274 (1965) must be adhered to. [ORS 656.274 (1965) governs the filing of Workmen's Compensation claims.] See *Lough v. Industrial Accident Commission*, 104 Or. 313, 207 P. 354 (1922); *Rosell v. State Industrial Accident Commission*, 164 Or. 173, 95 P.2d 726 (1939); *Wooldridge v. Arens, et al*, (1940) 164 Or. 410, 98 P.2d 1, 102 P.2d 717;

Tice v. State Industrial Accident Commission, 183 Or. 593, 95 P.2d 188 (1948). By asserting that the *Johnson* decision changed the law appropriate to this case, appellant misleads the Court.

Johnson was not concerned with noncompliance with the three months' filing requirement of ORS 656.274 (1965); it held that, after a sufficient showing had been made to permit a filing of a claim within an additional nine months provided for by ORS 656.274 (1) (1965), the claimant must either file his claim within a reasonable time after the expiration of the original three-months' period permitted by law or present satisfactory evidence to show why he had not done so. Obviously, this is a very different situation from the present case, and appellant does not claim it to be analogous. The *Johnson* claim was filed seven months after the normal three-months' filing period; in the instant case, less than one month had passed after the normal filing period. Therefore, *Johnson* is factually inapposite.

In any event, there are several reasons why this issue should not be raised now.

First, appellant has waived his right to assert this issue by failing to include it in his application for rehearing presented to the State Industrial Accident Commission (Def. Ex. 3-7, 9-11, 11a-11d.)

ORS 656.284 (1965) provides that any claimant who is dissatisfied with any order made pursuant to ORS 656.282 (1965) must file an application for rehearing within sixty days of that order (See Def.

Ex. 11). ORS 656.284 (1965) further states that the claimant shall be deemed to have waived all objections, irregularities, or any other illegalities except those which are specifically set forth in such an application. A late filing of a petition for rehearing constitutes such a waiver to all objections, irregularities and illegalities, and the Oregon Supreme Court has strictly adhered to this rule. *White v. State Industrial Accident Commission*, 163 Or. 476, 478-480, 96 P.2d 772, 98 P.2d 955 (1940). In the present case, Mr. Feist's petition for rehearing was denied because of late filing (Def. Ex. 10). He waived any right to claim any alleged irregularity or procedural defect in the award of his compensation.

Appropriate procedures are provided by statute to contest the validity of the State Industrial Accident Commission's determination. If Mr. Feist and his counsel, the appellant, failed to pursue these procedures, it should not now be open to them to attack the administrative decision in this forum. ORS 656.284 (1965). This is particularly true when these issues were not presented as a part of the appellant's case at trial, nor considered or presented in motion for a new trial or amendment of judgment. *United States v. Hoth*, 207 F.2d 386 (9th Cir. 1953).

Second, by knowingly filing his claim and by accepting the benefits of the order of the Workmen's Compensation Board, the appellant can be said to have waived his rights to contest the efficacy of the award. If Mr. Feist contended that the Commission

lacked authority to grant his award, he has an obligation to launch a proceeding to set aside such an order. He did not attempt to do so and therefore he is barred under *Bandy v. Norris, Beggs & Simpson*, *supra*.

Third, even if it can be assumed that Mr. Feist's right to raise this issue on appeal has not been waived, his argument should have no effect upon the disposition and decision of the District Court. Since the issue was interjected for the first time on appeal, appellant's argument should be stricken summarily. The award made, pursuant to the untimely claim, was made under such circumstances that it complied with ORS 656.274 (1965). That statute provided that the Commission could, in its discretion, and upon a sufficient showing being made, permit the filing of cases within one year of the date of the accident. The issue of whether or not reasonable cause has been shown for a late filing is always a question of fact. *Kehoe v. State Industrial Accident Commission*, 214 Or. 629, 634, 331 P.2d 91 (1958); *Woolbridge v. Arens, et al*, 164 Or. 410, 98 P.2d 1, 102 P.2d 717 (1940).

There is evidence that the Commission was advised of the fact that Mr. Feist had been under sedation for a part of the time following his accident (Def. Ex. 3-7, 9-11, 11a-11d, especially "Report of Investigation"). The Commission was aware of any mitigating circumstances involved in the late filing when it heard Mr. Feist's claim and issued its order

based thereon (Def. Ex. 3-7, 9-11, 11a-11d). The Board had discretion to hear an untimely claim pursuant to ORS 656.274 (1965), and if it determined to decide such a claim, it had the power to issue an order based upon that claim for compensation. In support of this exercise of discretion, it is presumed that official duty has been regularly performed. ORS 41.-360 (15) (1967). This rebuttable presumption has been neither attacked nor overcome by appellant.

Fourth, it may be argued by analogy that the Commission has waived any right to question the late filing of the claim, *Kehoe v. State Industrial Accident Commission*, supra. The Commission permitted Mr. Feist to file an application for compensation, gave the application a claim number, indicated thereon the number of the employer's account with the Commission, directed the employee to undergo a physical examination by one of the Commission's examining physicians, and thereafter proceeded to hear the application for rehearing. Such an administrative action should bar any subsequent questioning of the claim.

Fifth, appellant errs in his "legal conclusion" that the late filing resulted in an award of such a nature that a right against the employer was created in spite of the fact that the claimant received compensation. He contends that the late filing resulted in an award made pursuant to ORS 656.314 (1965). This conclusion is incorrect. Analysis of Mr. Feist's argument reveals that appellant is claiming that the late filing

created a situation whereby an independent cause of action against the employer arose. Actually, that statute *pre-supposes* that an independent cause of action against the employer exists, and provides for benefits under the Act in spite of this existing cause of action. The illogic involved in appellant's contention that a statute that *presupposes* an independent cause of action can *create* an independent cause of action is obvious.

The untimely filing of Mr. Feist's claim with the State Industrial Accident Commission can have no effect upon the decision of this Court.

Finally, Gates rejects as improper and misleading appellant's four-page "summation of argument" (Br. 19-22). While it is certainly argumentative, it is in no sense a summary and fails to comply with the rules of this Court.

CONCLUSION

This Court has often stated that when the District Court sits as a fact-finder, its decision will not be altered unless it is so clearly erroneous that this Court is left with a firm conviction that error has been committed. Appellant sought and recovered Workmen's Compensation benefits. The benefits were made possible by contributions made by the appellee (employer) to the State Industrial Accident Fund. Appellant pursued his remedy to the point of seeking a *rehearing* of his claim against the Fund. Now appellant (dissatisfied with his award) brings this ac-

tion against his employer; obviously his approach is in direct contravention to his theory while claiming against the Fund.

The Workmen's Compensation Law provides a sure and certain compensation plan, without regard to fault, for employees injured on-the-job. In exchange for the certainty of the payment of compensation, workmen agree to forego their common-law claims against their employers. Appellant fits none of the few exceptions to the rule.

The judgment of the District Court upon the segregated issue should be affirmed.

Respectfully submitted,

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CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Appellee's brief is in full compliance with those rules.

RIDGWAY K. FOLEY, JR.
Of Attorneys for Appellee

APPENDIX A

APPENDIX OF STATUTES

ORS 41.360. *Disputable presumptions.* All presumptions other than conclusive presumptions are satisfactory, unless overcome. They are disputable presumptions, and may be controverted by other evidence, direct or indirect, but unless so overcome, the jury is bound to find according to the presumption. The following are of that kind:

* * * * *

(15) Official duty has been regularly performed.

* * * * *

OREGON REVISED STATUTES (1965):

656.022 *Employers engaged in hazardous occupations as subject to workmen's compensation law.* (1) All persons engaged as employers in any of the hazardous occupations specified in ORS 656.082 to 656.086 shall be subject to ORS 656.002 to 656.590; provided, that any such employer may be relieved of certain of the obligations imposed by those statutes and shall lose the benefits conferred by those statutes by filing with the commission written notice of an election not to be subject thereto in any manner specified in those statutes.

(2) Where an employer is engaged in a hazardous occupation, as defined in ORS 656.082 to 656.086, and is also engaged in another separate occupation or other separate occupations not so defined as hazardous, he shall not be subject to ORS 656.002 to 656.590 as to the sep-

arate nonhazardous occupations, nor shall his workmen wholly engaged in such separate nonhazardous occupations be subject thereto except by an election as authorized by ORS 656.034.

(3) Employers who are engaged in an occupation partly hazardous and partly nonhazardous come under ORS 656.002 to 656.590 as if the occupation were wholly hazardous.

(4) It is the purpose of this section that an occupation and all work incidental thereto and all workmen engaged therein shall be wholly subject to or wholly outside the provisions of ORS 656.002 to 656.590.

656.026 *Employers engaged in hazardous occupations automatically covered until they give notice of rejection; effective date of rejection and liability of employer.* Any employer engaged in a hazardous occupation defined by ORS 656.082 to 656.086, who does not give to the commission written notice of his rejection under ORS 656.024 is subject to ORS 656.002 to 656.590 until and including the following June 30, and thereafter until and including June 30 of each succeeding year, unless, before June 1, 1959, or before June 1 of any succeeding year, his rejection is filed with the commission, whereupon, from and including the succeeding July 1, the status of the employer giving such notice shall be that resulting from the giving of the notice provided for in ORS 656.024.

656.052 *Employers engaged in hazardous occupations to file statement with commission giving address and description of occupation; effect of failure to do so.* (1) No person subject to

ORS 656.002 to 656.590 shall engage as an employer in any of the hazardous occupations enumerated in ORS 656.084, unless and until the employer has filed with the commission a statement in writing, giving the name and address of the employer and describing the hazardous occupation in which the employer is engaged or proposes to engage.

(2) If the name or address of an employer is changed, the employer shall, within 30 days of such change, file an amended statement setting forth the correct name and address of the employer.

(3) If an employer who has given the notice required in this section as to any occupation, or who is a contributor to the Industrial Accident Fund upon a nonhazardous occupation, engages in a hazardous occupation incidental to such occupation, the notice required in this section need not be given. If an employer engages in a hazardous occupation separate from such occupation, the notice required in this section shall be given.

(4) No employer shall engage in a hazardous occupation if the statement required by this section has not been filed.

(5) Any employer who engages in a hazardous occupation, as defined in ORS 656.082 to 656.086, in violation of this section, is not entitled to the benefits or protection of ORS 656.002 to 656.590.

656.054 *Liability of employer for injuries arising prior to filing of the notice under ORS*

656.052. (1) If a workman of an employer engaged in a hazardous occupation receives an accidental injury prior to the time the employer has filed with the commission a notice of engaging in a hazardous occupation, as required by ORS 656.052, and such workman or other beneficiaries file a valid claim for compensation with the commission on account of said injury, the cost of such claim to the Industrial Accident Fund but not less than \$100 nor in excess of \$1,000 shall be a claim against the employer. The commission shall recover such claim from the employer for the benefit of the Industrial Accident Fund.

(2) If a workman appeals from an order of the commission in any claim in which the alleged accident occurred before the employer filed with the commission the notice required by ORS 656.052, the commission forthwith shall serve upon the employer a copy of the complaint and a demand that the employer intervene in the appeal as a party defendant. Such service shall be made in the manner provided by law for the service of summons. The employer may intervene in the appeal as a party defendant within 20 days after the service of the complaint or within such further time as may be allowed by order of the court. If the employer does not intervene in the appeal, the court shall have jurisdiction of such employer to the same extent as if he had intervened.

ORS 656.152 (1965) *What are compensable injuries; right to compensation as in lieu of claim against employer.* (1) Every workman subject to ORS 656.002 to 656.590 while employed by an employer subject to ORS 656.002

to 656.590 who, while so employed, sustains an accidental injury, or accidental injury to prosthetic appliances arising out of and in the course of his employment and resulting in his disability, or the beneficiaries of such workman, if the injury results in death, are entitled to receive from the Industrial Accident Fund the sums specified in ORS 656.002 to 656.590. The repair or replacement of prosthetic appliances so injured shall be provided subject to the approval of the Commission.

(2) The right to receive such sums is in lieu of all claims against his employer on account of such injury or death, except as otherwise specifically provided in ORS 656.002 to 656.590.

656.156 *Injuries resulting from the deliberate intention of the injured workman or the employer.* (1) If injury or death results to a workman from the deliberate intention of the workman himself to produce such injury or death, neither the workman nor the widow, widower, child or dependent of the workman shall receive any payment whatsoever out of the Industrial Accident Fund.

(2) If injury or death results to a workman from the deliberate intention of his employer to produce such injury or death, the workman, the widow, widower, child or dependent of the workman may take under ORS 656.002 to 656.590, and also have cause for action against the employer, as if such statutes had not been passed, for damages over the amount payable under those statutes.

656.274 *Time within which applications must*

be filed. (1) No application shall be valid or claim thereunder enforceable in nonfatal cases unless such claim is filed within three months after the date upon which the accident occurred, but the commission may, in its discretion, upon a sufficient showing being made, permit the filing of a claim in a nonfatal case within one year of the time the accident occurred.

(2) If a workman, as a result of an accidental injury, has been rendered mentally incapable of filing a claim, a claim may be filed by the workman within 60 days after the removal of such mental incapacity or during such incapacity on behalf of the workman, by his parents, spouse, guardian, employer or physician. Any such claim must be filed within one year from date of the accidental injury.

(3) In any fatal case a claim may be filed within one year after the date upon which the accident resulting in death occurred.

(4) If a workman who has filed a claim for compensation within the time permitted by this section dies as the result of the accidental injury but before the commission has entered an order terminating compensation for temporary total disability, his widow or other beneficiaries may file a claim within 60 days after the death of the workman.

(5) If a workman, during his lifetime, has filed a claim for which he has been paid compensation, which claim has been closed for payment of compensation for temporary total disability, dies after the expiration of one year from the

date of the accidental injury and as a result of the accidental injury the commission may, in its discretion, permit the filing of a fatal claim within 60 days after such death.

(6) This section does not limit the filing of a claim in fatal cases to less than one year after the date upon which the fatal accident occurred.

656.275 *Time within which commission must accept or reject application.* The commission shall accept or reject an application for compensation or benefits within 90 days from the time such application is filed pursuant to ORS 656.-274.

656.284 *Application for rehearing as prerequisite to appeal to courts; procedure on rehearing.* (1) Any claimant aggrieved by any order, decision or award under ORS 656.282, including, but not limited to, a denial of further medical or hospital care, must, before he appeals to the courts, file with the commission an application for rehearing within 60 days from the day on which the copy of such order, decision or award was mailed to the claimant.

(2) The application shall set forth in full detail the grounds upon which the claimant considers such order, decision or award is unjust or unlawful, and shall include every issue to be considered by the commission. The application must contain a general statement of the facts upon which the claimant relies in support thereof.

(3) The claimant shall be deemed to have

waived all objections, irregularities and illegalities concerning the matter upon which the rehearing is sought other than those specifically set forth in such application for rehearing. The application may be amended after filing but not later than the date of rehearing.

(4) If the commission, in its opinion, has previously fully considered all matters raised by the application it may deny the application and confirm its previous decision or award or, if the evidence on file with the commission sustains the applicant's contention, it may allow the relief asked in the application. Otherwise it shall order a rehearing to decide the issues raised.

(5) If a rehearing is granted, the commission shall consider all facts, including those arising since making the order, decision or award involved and enter such order as the facts and law warrant. In every such case where a rehearing is held and a transcript of the testimony is taken, the claimant shall be entitled to a copy of the same upon payment to the commission for the cost of the transcript.

(6) An application for rehearing is deemed denied by the commission unless it has been acted upon by final order within 60 days from the date of filing; provided, that the commission may, in its discretion, extend the time within which it may act upon the application, not exceeding 30 days without claimant's approval or 60 days with claimant's approval.

656.312 *Election to recover damages when right of action exists against third person or delinquent employer.* If a workman of an employer

engaged in a hazardous occupation in violation of ORS 656.052, or of an employer in default, as provided in ORS 656.560, receives an accidental injury in the course of his employment, or if a workman receives an accidental injury due to the negligence or wrong of a third person, entitling him under ORS 656.154 to seek a remedy against such third person, such workman or, if death results from the injury, the other beneficiaries shall elect whether to recover damages from such employer or third person. If a workman leaves beneficiaries who are minors, the right of election shall be exercised by their surviving parent, if any; otherwise, such election shall be exercised by the guardian.

656.314 Payment of compensation notwithstanding existence of cause of action; lien of commission on cause of action for compensation paid. (1) The workman or his beneficiaries, as the case may be, shall be paid the benefits provided by ORS 656.002 to 656.590 in the same manner and to the same extent as if no right of action existed against the employer or third party, until the amount of benefits that the workman or beneficiaries are entitled to under ORS 656.002 to 656.590 can be determined and until damages are recovered from such employer or third party.

(2) The commission has a lien against the cause of action in the amount of compensation paid to the workman or his beneficiaries, including the cost of first aid and other medical, surgical and hospital service, which lien shall be preferred to all claims except the cost of recovering such damages.

656.316 *Authority of commission to compel election and prompt action against third person.*

(1) The commission may require the workman or other beneficiaries or the legal representative of a deceased workman to exercise the right of election provided in ORS 656.312 by serving a written demand by registered mail or by personal service upon such workman, beneficiaries or legal representative.

(2) Unless such election is made within 20 days from the receipt or service of such demand and unless, after making such election, an action against such third person is instituted within such time as is granted by the commission, the workman, beneficiaries or legal representative is deemed to have assigned his cause of action to the commission.

APPENDIX B

U. S. Ct. of App. 9th Cir., Rule 18(f), 28 U.S.C. provides:

“Where exhibits are a part of the record, counsel for appellant in an appendix to his opening brief shall set forth in table form in adjoining columns page references to the record where the exhibits were identified, offered and received or rejected as evidence.”

Since appellant refused to obey the dictates of Rule 18 (f) the duty devolves to appellee. Unfortunately, this Court's order on appellee's alternative motion forwarded only the record for use in preparation of the brief; the exhibits were not returned so that the numbering could be checked for accuracy. Hence, there is a deviation between the numbering system which appellant uses and that which appellee believes properly reflects the record.

The following table reflects the exhibits of both parties, all of which were received. A brief notation accompanies each exhibit as a description.

DEFENDANT'S EXHIBITS

	Exhibit	Identified	Offered	Received
Def. 1	Letter from SIAC to Gates April 21, 1965	I R 34	II R 14	II R 14
Def. 2	September 14, 1965, Physicians Statement	I R 34	II R 14	II R 14
Def. 3	Seven sheets of SIAC correspondence	I R 34	II R 14	II R 14
Def. 4	Letter from SIAC to Gates June 9, 1965	I R 34	II R 14	II R 14

DEFENDANT'S EXHIBITS

	Exhibit	Identified	Offered	Received
Def. 5	Letter from Gates to SIAC May 20, 1965	I R 34	II R 14	II R 14
Def. 6	Two sheets of SIAC correspondence regarding contribution	I R 34	II R 14	II R 14
Def. 7	Four sheets of SIAC correspondence	I R 34	II R 14	II R 14
Def. 8	Attending physican's statement	I R 34	II R 14	II R 14
Def. 9	SIAC Accident Report Form	I R 34	II R 14	II R 14
Def. 10	Denial Petition for Rehearing	I R 34 II R 17	II R 14	II R 14
Def. 11	SIAC Order, Temporary Total Disability	I R 34 II R 17	II R 14	II R 14
Def. 11a	Change in Customer Records	I R 35	II R 14	II R 14
Def. 11b	Two sheets re coverage determination	I R 35	II R 14	II R 14
Def. 11c	SIAC file	I R 35	II R 18, II R 22	II R 22
Def. 11d	SIAC file	I R 35	II R 18, II R 22	II R 22
Def. 12	Return of information filed by corporation	I R 35	II R 14	II R 14
Def. 13	Columbine Application for Certificate to Withdraw	I R 35	II R 14	II R 14
Def. 14	Columbine Certificate of withdrawal	I R 35	II R 14	II R 14

PLAINTIFF'S EXHIBITS

	Exhibit	Identified	Offered	Received
Pl. 11	Payroll vouchers, Gates to Feist	I R 32	II R 15	II R 15
Pl. 12	Letter from Gates to Feist dated April 30, 1965	II R 32	II R 15	II R 15
Pl. 13	Certificate of authority of Gates, Oregon, August 28, 1963	I R 32	II R 15	II R 15

PLAINTIFF'S EXHIBITS

	Exhibit	Identified	Offered	Received
Pl. 14	Articles of Incorporation of Bud's Tire Exchange June 10, 1960	I R 32	II R 15	II R 15
Pl. 14a	Certificate of Voluntary Dissolution of Bud's Tire Exchange, February 21, 1962	I R 32	II R 15	II R 15
Pl. 15	Bud's Tire Exchange Annual Corporation Returns, February 21, 1962	I R 33	II R 15	II R 15
Pl. 16	Application for Certificate of Authority, February 21, 1962	I R 33	II R 15	II R 15
Pl. 17	Columbine Certificate of Corporate Standing, Colorado January 11, 1962	I R 33	II R 15	II R 15
Pl. 17a	Oregon Certificate of Authority, Columbine, February 21, 1962	I R 33	II R 15	II R 15
Pl. 18	Oregon Certificate of Withdrawal, Columbine, April 26, 1965	I R 33	II R 15	II R 15
Pl. 19	Columbine's Annual Report	I R 33	II R 15	II R 15
Pl. 20	Colorado Certificate, Not in Good Standing, March 22, 1966	I R 33	II R 15	II R 15
Pl. 20a	Colorado Certificate of Good Standing, April 18, 1966	I R 33	II R 15	II R 15
Pl. 21	SIAC Employer's Payroll and Contribution Report March 17, 1965	I R 33	II R 15	II R 15
Pl. 22	SIAC Notice of Rejection Gates, May 27, 1965	I R 33	II R 15	II R 15
Pl. 23	National Tire Dealer's Letter of April 12, 1966	I R 33	II R 15	II R 15
Pl. 24	Letter from Medford City Auditor, March 21, 1966	I R 33	II R 15	II R 15
Pl. 25	Poor's Corporate Register, Gates, 1965	I R 33	II R 15	II R 15

PLAINTIFF'S EXHIBITS

	Exhibit	Identified	Offered	Received
Pl. 26	Title Company Letter April 5, 1966	I R 33	II R 15	II R 15
Pl. 27	Rejection letter	I R 33	II R 15	II R 15
Pl. 28	Physician's statement June 28, 1965	I R 33	II R 15	II R 15
Pl. 29	Gates' letter to Feist September 23, 1965	I R 33	II R 15	II R 15
Pl. 30	Doing Business Certificate	I R 33	II R 15	II R 15
Pl. 31	PUC Coverage	I R 33	II R 15	II R 15
Pl. 32	Articles of Incorporation Columbine	I R 38	II R 15	II R 15
Pl. 33	Columbine Annual Reports 1965, 1966	I R 39	II R 15	II R 15
Pl. 34	Colorado Certificate in Good Standing, September 1, 1966	I R 39	II R 15	II R 15
Pl. 35	Bud's Tire Exchange— Certificate of Non-Incor- poration, Colorado	I R 39	II R 15	II R 15
Pl. 36	Gates' Annual Reports 1965-1966	I R 39	II R 15	II R 15
Pl. 37	Gates' Rubber, Inc., Colo- rado Annual Reports, 1965, 1966	I R 39	II R 15	II R 15
Pl. 38	Gates' Rubber Company Sales Division, Wyoming, Certificate and Withdrawal	I R 39	II R 15	II R 15
Pl. 39	Certificate of Withdrawal re 38, August 20, 1963	I R 39	II R 15	II R 15
Pl. 40	Warranty Deed, November 29, 1961	I R 39	II R 15	II R 15
Pl. 41	Warranty Deed, November 29, 1961	I R 40	II R 15	II R 15
Pl. 42	Deed from Gates' Sales Division to Gates	I R 40	II R 15	II R 15
Pl. 43	Pleading File in Bud's Tire Exchange v. Oakes	I R 44	II R 15	II R 15

PLAINTIFF'S EXHIBITS

	Exhibit	Identified	Offered	Received
Pl. 44	Letter from Wyoming Secretary of State re Gates	I R 44	II R 15	II R 15
Pl. 45	Advertisement	I R 40	II R 15	II R 15
Pl. 46	Advertisement	I R 40	II R 15	II R 15
Pl. 47	Advertisement	I R 40	II R 15	II R 15
Pl. 48	Advertisement	I R 40	II R 15	II R 15
Pl. 49	Advertisement	I R 40	II R 15	II R 15
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Pl. 51	Advertisement	I R 41	II R 15	II R 15
Pl. 52	Advertisement	I R 41	II R 15	II R 15
Pl. 52	Advertisement	I R 41	II R 15	II R 15
Pl. 54	Employer's Accident Report, August 11, 1965	I R 41	II R 15	II R 15

DEC 7 1967

No. 21774

United States
COURT OF APPEALS
for the Ninth Circuit

ADELBERT G. CLOSTERMANN,
Executor of the Estate of Charles W. Feist,
deceased,

Appellant,

v.

THE GATES RUBBER COMPANY,
a Colorado corporation,

Appellee.

APPELLANT'S REPLY BRIEF

*Appeal from the United States District Court
for the District of Oregon*

HONORABLE GUS J. SOLOMON, Chief Judge

FILED

DEC 6 1967

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SUMMARY OF ARGUMENT

The absorption of Columbine, Inc. into defendant The Gates Rubber Co. is questioned because Columbine was in fact doing business in Oregon after January 31, 1965.

If there was an absorption so Gates was actually engaged in a hazardous occupation, then Gates was

subject to the Act; but was not *protected* by the Act. Gates was a non-complying separate entity employer. Gates would not be protected until it had filed the statutory notice of engaging in a hazardous occupation the same as any complying employer.

Any SIAC claim filed after the three-month period of limitation with no showing of tardiness on behalf of the claimant is a nullity.

A workman injured while in the employ of a non-complying employer then may receive SIAC benefits without limiting his rights against his employer.

1. The District Court erred in holding that Columbine was merged into Gates Rubber Company on January 31, 1965.

Evidence revealed that Columbine was operating Bud's Tire Exchange, Inc. in Medford until March 9th, 1965 (Pl. Ex. 45, 46, 47, 48, 49) and therefore was doing business within the State of Oregon.

"A foreign corporation is 'doing business' within Oregon whenever an important combination of functions is being performed therein such as ownership, possession or control of property, dealing with others in reference to property, the execution of contracts, etc." 22 Opinion Atty. Gen. (Ore.) 1944-46. Page 336

Columbine failed to comply with the provisions of the Oregon Statutes pertaining to the notification to the Oregon Corporation Commissioner of "merger," "dissolution" or "liquidation."

Bud's Tire Exchange held itself out to the Circuit

Court of Oregon as a Colorado corporation (Pl. Ex. 43) in 1964. Evidence reveals it to be neither a Colorado corporation nor an Oregon corporation (Pl. Ex. 14, 35).

Columbine filed its withdrawal from Oregon on April 21, 1965 and backdated its ceasing of business to January 31, 1965 (Pl. Ex. 18).

Columbine continued as an operating Colorado corporation after the purported merger, consolidation or liquidation (Pl. Ex. 20, 20a, 34).

2. Gates did not have the protection of SIAC

Prior to January 31, 1965 Gates had rejected the Act (Tr. 4) and thereafter had not filed its compliance with the Act so as to receive *protection* under the Act until May 24, 1965 (SIAC File No. 2 Ex. 40) at which time Gates became a complying employer by filing the statutory notice for the purpose of engaging in a hazardous industry.

(a) Concerning Gates and Feist being subject to the Act at the time of injury.

Gates having previously rejected the Act, could only come within the provisions of SIAC by the questioned "dissolution" of Columbine. Even if Columbine had "merged" with Gates, Gates would still be denied the *protection* of the Act because of its failure to comply with the statute by filing the required statutory notice of engaging in a hazardous industry. Gates, however, would be *subject* to the provisions of the Act

because it was engaging in a hazardous industry without the sanctity of statutory qualification.

This is significant because the injured employee thus is given the benefit of suing the non-complying employer in addition to receiving SIAC benefits.

Obviously Gates and Columbine were separate legal entities. Automatic *coverage* is afforded an employer engaged in a hazardous industry, but not automatic *protection*. The employer must raise his own shield by filing the statutory application with SIAC to obtain the protection, otherwise he is a non-complying employer (See ORS 656.052 (4) (5)). Gates is attempting to lean on Columbine for protection.

Feist was never an employee of Columbine (Tr. 42). Feist never made any contributions under the Act. Gates never made contributions under the Act prior to the injury.

The SIAC claim for Feist (Def. Ex. 9) (SIAC file No. 2, Ex. 77, 78, 80) was submitted by Gates. Feist thought that document was a claim for Employer's Mutual (Tr. 42).

Appellee relies on *Bandy v. Norris, Beggs and Simpson*, 222 Or. 1, 19, 342 P.2d 839 (1960). That case is distinguished from the instant case in that in the *Bandy* case, plaintiff was actually protected under the Act by reason of a SIAC policy taken out prior to the injury by her employer; and the claim being timely filed. The defendant Norris, Beggs and Simpson were merely the real estate agents of the em-

employer. The plaintiff sought to circumvent the employee-employer relationship and seek a remedy against an agent.

In the instant case Gates could only be subject to the act by the questioned absorption of Columbine; yet Gates is denied the protection of the Act, by its failure to apply for the protection.

(b) A statutory exception pursuant to ORS 656.312 exists in favor of Feist.

The statutory exception exists because either Columbine was a separate legal entity; or Gates was an applicant for SIAC insurance under ORS 656.052. Obviously, Gates was a non-complying employer because it failed to file the statutory notice until May 24, 1965. Therefore, plaintiff may proceed under ORS 656.054 and Liability of Employer for Injuries arising prior to the filing of the notice under ORS 656.052.

Feist was never employed by Columbine. There was no filing for protection by Gates until after the injury occurred. There was no evidence of record that Columbine was subsidiary of Gates prior to the injury. Hence, if Gates actually absorbed Columbine, then Gates was engaging for the first time in a hazardous industry *subject* to but not within the *protection* of the Act. Gates was a separate entity employer.

Gates prepared and filed the claim for SIAC benefits which was signed by Feist without the benefit of counsel on May 20th, 1965 (Def. Ex. 9, and SIAC File No. 2, Ex. 77, 78, 80) in excess of the limitation of time for the filing of such claims.

The filing of a claim in excess of the statutory limitation was a nullity—*Johnson v. SIAC*, — Or. —, 425 P.2d 496 (1967).

Feist did not file the claim, nor did he show any excuse for tardiness. There can be no waiver of the time limitation either by the Court or administrative agency (See *Johnson v. SIAC*).

Hence, Gates may not take advantage of its filing the Feist claim and by that method deny unto Feist his remedy under the statute. The District Judge did not have the advantage of this later opinion which clearly interprets the Oregon Law.

SIAC has a statutory lien on any recovery by Feist against the defendant; hence there is no occasion for Feist reimbursing SIAC until recovery is had against Gates (ORS 656.314).

(c) The District Court erred in denying the motion for a new trial.

Clearly, the *Bandy* case does not apply because there both parties were previously covered and protected under the Act and prior to the injury.

In the case at bar, Gates was *subject* to the Act only by the questioned absorption of Columbine. It, nevertheless, did not gain the *protection* of the Act as in the *Bandy* case, until Gates had provided SIAC with the statutory application that it was engaging in a hazardous industry.

Feist never changed his theory as evidenced by his

original complaint. There is no evidence that Columbine was, prior to the injury, in any way affiliated with Gates, both being separate corporations.

3. An employer is precluded from protection of the Act when he files a claim after the limitation.

A filing by an employer is clearly a nullity in accordance with the opinion of the Oregon Supreme Court in *Johnson v. SIAC*, — Or. —, 425 P.2d 496 (1967). There can now be no confusion in the law or application of the law (ORS 656.274(1)).

Any filing after the limitation is a nullity. This would include an application for rehearing. So any processing or consideration of a claim by SIAC would not limit or deny an injured workman, such as Feist from pursuing his common law remedy and recovery against a non-complying employer.

CONCLUSION

Appellant is entitled to receive the benefit of a SIAC payment and in accordance with statute and proceed against a non-complying employer. Gates contributions to SIAC were only made "after" the injury. The application for re-hearing was a nullity because the claim was filed by Gates after the statutory time limitation.

The statute itself provides plaintiff the very remedy which he is seeking.

Therefore this Court should reverse the judgment

of the District Court, amend the judgment to include the statutory exception, or grant a new trial on the segregated issue.

Respectfully submitted,

ADELBERT G. CLOSTERMANN
Attorney for Appellant

CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

ADELBERT G. CLOSTERMANN
Attorney for Appellant

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

MONOLITH PORTLAND MIDWEST
COMPANY, a Nevada Corporation

Appellant,

v.

KAISER ALUMINUM & CHEMICAL
CORPORATION, KAISER ALUMINUM
& CHEMICAL SALES, INC., GEORGE
C. DAVIS AND PALMER FORD,

Appellees.

VOLUME I
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No. 21,775

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

MONOLITH PORTLAND MIDWEST
COMPANY, a Nevada Corporation

Appellant,

v.

KAISER ALUMINUM & CHEMICAL
CORPORATION, KAISER ALUMINUM
& CHEMICAL SALES, INC., GEORGE
C. DAVIS AND PALMER FORD,

Appellees.

APPELLANT'S BRIEF

This appeal is from the Final Judgment (R.* 4672-73) entered on January 6, 1967 by the District Court, District Judge Albert Lee Stephens, Jr., presiding, holding that plaintiff/appellant take nothing and that each and every claim for relief in its complaint be dismissed with prejudice; and that defendants/appellees shall have and recover from plaintiff/appellant reasonable attorneys' fees in the sum of \$280,000.00.

* The letter "R" refers to the Record on Appeal, "S.R." to the Supplement to the Record on Appeal dated August 11, 1967, "Tr." to the Reporter's Transcript of Proceedings, and "Ex." to exhibit.

JURISDICTIONAL STATEMENT

This action was tried without a jury upon the issues framed by the First Amended Complaint, etc. (R. 27-40) and Answer (R. 74-88) as amended in the Pretrial Conference Order (pp. 12-27, S.R. 45-60). Jurisdiction of the District Court was based upon diversity of citizenship, the amount in controversy, exclusive of interest and costs, being more than \$3,000.00 [the action was filed below prior to the effective date of Section 1332, Title 28 United States Code, as amended July 25, 1958; there appears no doubt that the amount in controversy was and has been in excess of \$10,000.00]; and upon the patent laws of the United States, Section 1338, Title 28, United States Code.

Jurisdiction of this Court is based upon Section 1291, Title 28, United States Code.

Appellant, who was plaintiff below, is Monolith Portland Midwest Company (hereinafter referred to as "appellant" or "Monolith"), a Nevada Corporation. Appellant is a cement company, and owns and operates a cement plant at Laramie, Wyoming. Monolith Portland Cement Company which owns all of appellant's common stock also owns and operates a cement plant in the Tehachapi Valley at Monolith, California. Both companies are joint venturers with respect to exploitation of the valuable information and patent involved in this action.

Appellees, who were defendants below, are Kaiser Aluminum & Chemical Corporation, a Delaware Corporation, Kaiser Aluminum & Chemical Sales, Inc., a California Corporation (hereinafter collectively referred to as "Kaiser"), and two Kaiser employees, George C. Davis and Palmer Ford (Ford is no longer employed by either of the appellee Kaiser Companies). On June 6,

1958, when the original complaint (R. 2-10) was filed, Davis and Ford were residents of California. The entire group of appellees are herein referred to as "appellees" or "defendants".

STATEMENT OF THE CASE

Appellant brought action against appellees for wrongful appropriation of appellant's valuable information, and, by amended complaint, for patent infringement. The subject matter of both related to rotary kilns having refractory linings which kilns are used in the manufacture of cement.

On June 7, 1966, the District Court filed its written Memorandum of Decision* (R. 3560) holding, (1) against appellant on all five counts of its misappropriation of valuable information claim (2) holding appellant's Anderson patent invalid, but if valid, contributorily infringed, and (3) holding that the case was exceptional within the meaning of Section 285, 35 United States Code, and that reasonable attorneys' fees should be awarded to appellees. On January 6, 1967, the District Court entered a Supplemental Memorandum of Decision on Attorneys' Fees (R. 4665-4670), Findings of Fact (R. 3709-3757) and Conclusions of Law (R. 3758-3762), and the aforementioned Judgment (R. 4672-4673). A Notice of Appeal (R. 4704-4705) was filed on January 19, 1967.

QUESTIONS PRESENTED

1. Must a District Court in a case involving a claim of unfair competition and misappropriation of confidential information, coupled with a claim for patent infringement, apportion between services for unfair

*Hereinafter sometimes abbreviated Memo. of Dec.

competition and misappropriation of confidential information on the one hand and services for patent infringement on the other in making an award of attorneys' fees?

2. Absent apportionment in such a case, can a District Court base such an award not only upon the patent statute, 35 USC 285, but upon a purported exercise of a general equity power?

3. In such a case, would not applicable state law prohibiting an award of attorneys' fees for services in cases for unfair competition and misappropriation of confidential information exclude such services as a basis upon which such an award can be supported?

4. If the award of attorneys' fees in this case must be based solely upon 35 USC 285, does the record support a finding that appellant has engaged in conduct which would render the case exceptional under such statute?

5. If this case be deemed exceptional within the meaning of 35 USC 285 and if rational basis can be found in the opinions and findings of the District Court for the ascertainment of any definite amount of attorneys' fees whatsoever, would not \$37,000 rather than \$280,000 be reasonable under the statute as construed by this Court in *Dubil v. Rayford Camp & Co.*, (9 Cir. 1950) 184 F.2d 899?

6. Did appellant make a disclosure to Kaiser in sufficiently concrete terms for it to be protectable?

7. Was the disclosure made by appellant to Kaiser in confidence?

8. Did Kaiser appropriate to its own use the disclosure made to it by appellant?

9. Is appellant's action for misappropriation of confidential information barred by the statute of limitations?

This Court will note the absence of questions directed to the holding of patent invalidity. Such absence derives from the fact that appellant is not appealing such holding for reasons which will be explained subsequently.

SPECIFICATION OF ERRORS

Before setting forth our Specification of Errors, we believe it will be helpful to briefly describe the background of the subject matter of the present controversy.

Kaiser Aluminum & Chemical Corporation manufactures refractories (i.e., bricks) which its affiliate, Kaiser Aluminum & Chemical Sales, Inc., sells to industrial refractory users. Commencing sometime prior to the facts in controversy below, appellant and Monolith Portland Cement Company purchased and used Kaiser basic refractory bricks in the burning zone linings of their rotary cement kilns. (Pretrial Conference Order, p. 4, S.R. 37).

Most modern cement plants use rotary kilns wherein the raw materials are burned or sintered into clinkers, which when finally ground with a small amount of gypsum, become finished Portland Cement (e.g., the familiar sack of Portland Cement). The raw materials are crushed or ground to predetermined fineness and uniformity, and water is added until the mixture is of the desired consistency. This mixture, then referred to as slurry or feed, is introduced into the upper end of an inclined, rotating tube, called a kiln (See Illustration A in Part 2 of the Appendix [a diagram from Ex. 71]). As the tube is rotated, the slurry passes down through the

kiln and is heated by hot gasses passing from the lower end toward the upper end of the kiln. The hot gases drive off the water in the slurry, and eventually sintered clinkers pass from the lower end of the kiln. Such kilns are, as might be expected, mammoth steel cylinders typically eight to fifteen feet in diameter and several hundred feet long.

The kiln has several "zones", which may be referred to as the drying zone, the intermediate zone, the burning zone, and the cooling zone. The slurry is heated and dried in the first two zones. The slurry is sintered in the burning zone, where the temperature is approximately 2600 to 2900° F. This zone in a twelve foot diameter kiln may be approximately 60 feet long. As explained by the District Court (Memorandum of Decision, p. 17, R. 3576), this action is chiefly concerned with the refractory lining of the burning zone where the greatest heat is applied. Therefore, we will turn to a brief discussion of lining practices in the burning zones of rotary cement kilns. These refractory linings include bricks.

Both acid (commonly referred to as alumina) and basic bricks have been used to line the interior of the metal kiln shell to protect the same from the high temperatures within the kiln. Whether acid or basic bricks are used depends upon the conditions which exist in any particular kiln. Alumina bricks have been preferred by cement manufacturers in certain applications, but the use of basic brick in the burning zone has grown until the use of this form of refractory predominates in the cement industry (Memorandum of Decision, p. 24, R. 3583). However, basic bricks are more conductive of heat and have greater expansion and contraction characteristics which have presented a special problem. Because of this, provision must be made to accommodate the expansion.

A typical lining employs bricks placed in circumferential rings within the kiln, one ring following another until the entire inner face of the kiln shell of the burning zone is covered by bricks. (See Illustration B and C in Part 2 of the Appendix [photographs from Exhibit 585]). The portion of the brick resting on the shell is wider than the portion facing the interior of the kiln, and this part of the brick against the shell is called the "cold face", and the portion facing the interior is called the "hot face". Each brick is thus slightly pie- or wedge-shaped. The expansion is compensated for by placing a metal plate, called a shim, between each brick in the ring. Longitudinal expansion of the series of rings is provided for by placing combustible material, such as a piece of cardboard, between the rings. As the kiln is heated, the combustible material burns out, the bricks expand, and the shims fill the space between the brick. The shims oxidize a certain distance from the hot face, and the resulting oxide combines with a portion of the adjacent brick in such a way as to weld or knit the wall into a unitary structure. We should note that a coating (as a result of the slurry) builds up on the hot face of the brick which provides further insulation, and it was clear that having the shims bear against the shell served to drain heat from the hot face of the brick. The District Court in its Memorandum of Decision included an extensive discussion of the history of kiln lining practices and this coating, as well as the characteristics and operation of cement kilns (pp. 14-44, R. 3573-3603).

Kaiser has supplied basic bricks and shims to Monolith for use in lining its cement kilns. As of 1953, Kaiser had never tried to install a lining for anyone with shims which did not contact the kiln shell (Memorandum of Decision, p. 36, R. 3595). Its practice at that time was to offer written kiln construction advice to its customers

wherein "full" shims were placed between each brick in the ring and the shims rested against the kiln shell. (See, for example, Exhibit 68). As the District Court commented (p. 36, R. 3595), "There is no doubt but that a lining constructed as suggested would result in full shims with their cold edges in metal to metal contact with the shell."

Prior to the controversy, general industry practice was, where basic bricks were used, to use a "full" metal shim between the bricks in the ring, with the shim in contact, or essentially so, with the interior of the shell. Such shims are generally referred to as "longitudinal" shims inasmuch as they are placed adjacent the long side of the brick and extend in the longitudinal direction of the kiln, it being understood that they were to be installed generally in contact with the kiln shell. In particular, and stated briefly, the present controversy relates to cement kiln hot zone linings wherein the shims are *deliberately maintained out of contact* with the kiln shell. Included also are short shims disposed transverse to the longitudinal direction of the kiln, and these shims have been referred to as "arcuate", "segmental", or "circular" shims.

Briefly, Frank Anderson of Monolith became concerned with the amount of heat transmitted to the kiln shell through the shims in the basic brick lined burning zone. This heat was lost thereby necessitating higher operating temperatures. He was first to equate this loss of heat to loss in cement production, and he followed this concept by proposing that the lining should be constructed with the shims positioned out of contact with the shell to thereby improve kiln efficiency. An embodiment of this concept was used in a kiln lining in the burning zone of Monolith's Laramie, Wyoming plant in early 1954. The kiln lining included conventional Kaiser

basic bricks which previously had been used, but “arcuate” shims were supported by the hot face of the brick to maintain them approximately one and one-half inches from the kiln shell. (See illustrations D and E in Part 2 of the Appendix which were the Pretrial versions respectively drawn by plaintiff and defendants, Pretrial Conference Order, pp. 66-67, S.R. 99-100).

The Controversy

Monolith contended that in 1953 it disclosed to Kaiser the concept of lining rotary cement kilns with conventional basic brick having short shims in order to increase cement production. A flow of information to Kaiser continued thereafter, including information pertaining to the Laramie lining, noted above, and the production increase which had been observed. Subsequently, Mr. Anderson filed a patent application directed to a kiln lining construction employing metal shims maintained out of contact with the kiln shell, and described therein such constructions including both longitudinal and arcuate short shims. Prior to the initial disclosures to Kaiser, Kaiser invariably recommended the conventional practices described above wherein full shims in contact with the kiln shell were used, but after such disclosures, Kaiser placed on the market under the name “UNITAB” a unitary article including a basic brick having adhesively secured thereto a cardboard spacer and a short longitudinal shim out of contact with the kiln shell. (See Illustration F in Part 2 of the Appendix [From Exhibit 2/V, p. 247]).

The original complaint was filed herein on June 6, 1958, essentially alleging misappropriation of Monolith's confidential information relating to short-shimmed kiln lining practices in cement kilns. After Mr. Anderson's patent issued, an amended complaint (R. 27-40) was filed

on September 8, 1959 alleging patent infringement by Kaiser. After extensive discovery, a Motion for Summary Judgment was filed by defendants/appellees with respect to patent validity, but this motion was denied in September, 1962 (R. 1103-04). Pretrial commenced on September 17, 1963, taking 11 days in court and 2 days in chambers. After appellant presented its case, the appellees moved to dismiss the confidential information claims, but the same was denied. The appellees put on their case, following which the District Court issued its Memorandum of Decision, defendants submitted proposed Findings of Fact, which were then adopted and Judgment entered as noted previously. Pretrial and Trial consumed approximately 100 days.

The Errors

1. The court erred by not clearly stating the basis for its award of attorney fees by reason of its failure to make an apportionment of fees as between the patent and non-patent sides of the case (Supplemental Memorandum of Decision Re Attorney Fees R. 4665-70).

2. The court erred by fixing responsibility on appellant for the difficulty for making such apportionment which resulted from withholding of information by appellees (R. 4665-70, 4668).

3. The court erred in awarding attorneys fees to appellees for the non-patent side of the case on the basis of the court's general equity power (R. 4670).

4. The court erred in not following, in a diversity case, the state law prohibiting an award of attorney fees in the absence of statute or contract, there being no statute or contract authorizing such award for the non-patent side of the present case (R. 4665-70).

5. The court erred in holding this case exceptional within the meaning of 35 USC 285 (Finding of Fact No. 132, R. 3753-54).

6. The court erred in holding that appellant obtained its patent claims in suit through fraudulent representations to the Patent Office (Memo of Dec., p. 148, R. 3707).

7. The court erred in holding that appellant unduly prolonged or prosecuted in bad faith any part of this litigation (Findings of Fact Nos. 133-136, R. 3754-57).

8. The court erred in holding certain uses in 1955 by Riverside Cement Company and Southwest Portland Cement Company to be public uses (Finding of Fact No. 99, R. 3736).

9. The court erred in not allowing appellant to interrogate a Southwestern employee as to whether the 1955 use by his company was experimental (trial transcript pp. 5040-5069, Part 3 of the Appendix hereto).

10. The court erred in holding the effective filing date of the patent claims in suit to be more than one year after the 1955 uses by Riverside and Southwestern. (Findings of Fact Nos. 99 and 102, R. 3736, 3737).

11. The court erred in holding the Riverside and Southwestern uses to be statutory bars (Finding of Fact No. 99, R. 3736).

12. The court erred in holding that appellant did not disclose the 1955 use by Southwestern to the Patent Office (Finding of Fact No. 102, R. 3737-3740).

13. The court erred in holding that appellant fraudulently concealed the 1955 uses by Southwestern and Riverside from the Patent Office (Finding No. 102, R. 3737-3740).

14. The court erred in holding sales of a component, i.e., bricks, of the patented invention, i.e., a lined kiln, to be statutory bars as to the invention (Findings of Fact Nos. 97 and 98, R. 3736).

15. The court erred in not requiring appellees to meet the burden of proof required by law for establishment of a charge of fraud (Findings of Fact Nos. 129 and 130, R. 3753).

16. The court erred in holding that the Petition To Make Special filed during Patent Office prosecution of the patent in suit involved fraud (Findings of Fact Nos. 106-110, R. 3742-43).

17. The court erred in holding that the Petition To Make Special filed in the patent in suit was material to the issuance of the patent (Finding of Fact No. 125, R. 3752).

18. The court erred in finding that “unexpected results” affidavits filed by appellant in the Patent Office were consciously false and misleading (Findings of Fact Nos. 111-113, R. 3743-45; 126 & 128, R. 3752) in that there is not at least clear and convincing evidence:

(a) establishing that Rentsch believed the unexpected results to be untrue, or

(b) establishing that there were no unexpected results.

19. The court erred in finding that the Wicken affidavit filed in the United States Patent Office was grossly false and misleading in many respects (Findings of Fact Nos. 114-120, R. 3745-50; 127 and 128, R. 3752) in that there is not at least clear and convincing evidence:

(a) establishing that Rentsch believed the Wicken affidavit to be false, and

(b) establishing that the Wicken affidavit was material to the issuance of the Anderson patent.

20. The court erred in holding an attorney fee award of \$280,000.00 to be reasonable within the meaning of 35 USC 285 and in granting costs (Finding of Fact No. 138, R. 3757, Final Judgment, p. 2, R. 4673).

21. The court erred in not permitting appellant to pursue discovery aimed at developing more information than appellees were willing to disclose voluntarily as to the nature of the services performed by their counsel (Order, R. 4510-14, 4662, Post Trial Tr. 95).

22. The court erred in making the attorney fee award of \$280,000.00 by not making exclusions required by law and by not recognizing countervailing equities in favor of appellant (Finding of Fact No. 138, R. 3757).

23. Throughout the findings of fact, the court erred in holding that only cement kiln linings employing radial arcuate short shims and not longitudinal short shims were disclosed by Monolith to Kaiser (Findings of Fact Nos. 24, R. 3713-14; 29, R. 3715; 32, R. 3716; 37, R. 3717; 41-43, R. 3718-19; 48-49, R. 3720-21; 64-65, R. 3724-25; 68, R. 3726).

24. The court erred in holding that Kaiser was not aware of the short shim lining installed at the Monolith, Laramie kiln in 1954 or improvements in production and lining life which resulted therefrom. The court further erred in holding that there was no knowledge by Kaiser of the arcuate and longitudinal species of short shims before June of 1954 (Findings of Fact Nos. 27-29, R. 3714-15; 53-54, R. 3722; 75, R. 3727).

25. The court erred in holding that the Johnson-Putnam telephone call in 1953 did not convey to Kaiser the generic concept of using a kiln lined with short-shimmed

brick to increase kiln production and at least one specific embodiment, longitudinal short shims (Findings of Fact Nos. 32-33, R. 3716).

26. The court erred in rejecting the value of short-shimmed kiln linings when Kaiser's commercially successful kiln lining bricks employed short shims (Finding of Fact No. 52, R. 3721).

27. The court erred in holding that the disclosure of kiln linings using short shims by Monolith had no value and in holding that value was established neither by the 1954 lining in Monolith's Laramie Kiln nor by the commercial success of the Kaiser UNITAB brick (Findings of Fact Nos. 44-46, R. 3719-20).

28. The court erred in holding that the entire disclosure by Monolith of the concept of cement kiln linings employing shims short of the shell in either the longitudinal or arcuate form was not in confidence (Findings of Fact Nos. 34-36, R. 3716-17; 64-65, R. 3724-25; 68, R. 3726).

29. The court erred in holding that only rotary cement kiln linings employing arcuate short shims were disclosed in confidence (Findings of Fact Nos. 65, R. 3725; 68, R. 3726).

30. The court erred in finding that the disclosure by Johnson of a short shim kiln lining to Putnam in the 1953 phone call was not in confidence (Findings of Fact Nos. 34-36, R. 3716-17).

31. The license negotiation meetings between Monolith and Kaiser in June and July of 1955 are evidence of a prior confidential relationship which existed between the parties and the court erred in holding that such license negotiation meetings were not in confidence when, by

their very nature, the meetings must have been in confidence (Finding of Fact No. 47, R. 3720).

32. The court erred in holding that the Monolith disclosure of short shimming kiln linings to increase production was not protectible because of prior art and information which was generally available but which had not been used by Kaiser and which had not been previously used by anyone to develop short shimming in cement kilns (Findings of Fact Nos. 31, R. 3715; 51 R. 3721).

33. The court erred in holding that Kaiser's UNITAB brick was not based upon Monolith's confidential disclosure but was rather developed solely upon the basis of other Kaiser knowledge (Findings of Fact Nos. 51, R. 3721; 75, R. 3727; 77, R. 3729).

34. The court erred in holding that no confidential information of Monolith's was appropriated by Kaiser (Findings of Fact Nos. 69-72, R. 3726-27; 76 & 78, R. 3729).

35. The court erred in holding that appellant's action for misappropriation of confidential information was barred by the statute of limitations (Findings of Fact No. 73, R. 3728).

ARGUMENT

The Award of Attorneys' Fees

We recognize that it is unconventional to open this brief with a discussion of the attorney fee issue rather than going directly to the merits of appellant's causes based on unfair competition and appropriation of confidential information, but we do this for two very compelling reasons. First, the extraordinary magnitude of

the amount of attorneys fees awarded by the court below (seven times as much as has ever been reported awarded in a comparable case), is such that it seriously rivals the merits of the case in monetary importance to appellant. Second, keeping in mind the magnitude of the award, we address ourselves first to the attorney fee issue to avoid any possibility of the danger so aptly pointed out by this Court in *Maier Brewing Co. v. Fleischmann Distilling Corp.*, (9 Cir. 1966) 359 F.2d 156, 163 (footnote 11), viz., the treatment of the attorney fee question as a mere incident because of primary attention being devoted to the merits. Affirmed at 386 US 714, 18 L.ed.2d 475 (1967).

The Proceedings Below Re Attorney Fees

Defendants' demand for attorney fees under 35 USC 285 was asserted immediately after completion of trial (opening brief for defendants, R. 3119, pp. 145-146) and the court below then ruled in favor of defendants on all issues other than infringement of the patent in suit and held that, as prevailing parties, defendants were entitled to an award of reasonable attorneys fees since the court considered the case to be "exceptional" within the meaning of 35 USC 285. The court further ruled (R. 3708) that a separate hearing would be held on the amount of reasonable attorney fees to be awarded and that evidence would be admitted on this issue. Subsequent to the completion of trial and prior to any proceedings on the amount of attorneys fees to be awarded, plaintiff retained new counsel (R. 3791) and new counsel were given primary responsibility for all further proceedings including the matter of attorney fees and the present appeal. New counsel immediately studied defendants' application for order fixing amount of attorneys

fees to be awarded defendants (R. 3763-82) which demanded substantial reimbursement for such fees assertedly actually expended by defendants in the amount of \$450,000 (R. 3765). It was clear to counsel for plaintiff-appellant that, for reasons which will be discussed in substantial detail in this brief, since the present case involved divers non-patent claims for relief sounding in unfair competition and breach of contract, together with the patent claim, apportionment between work done relating to the patent and non-patent sides of the case would be necessary in order for the award to meet the requirement of 35 USC 285 that it be restricted to work done only for the purposes of the patent side of the case. Additionally, it was clear to appellant that the assessment of any such award would have to make appropriate exclusions and give adequate recognition to countervailing equities in favor of plaintiff in order for the award to be "reasonable" within the meaning of the statute. Accordingly, appellant then filed 108 comprehensive interrogatories (R. 3800-16) designed to facilitate the necessary apportionment and to provide information relating to the appropriate exclusions and countervailing equities. Defendants objected to all of these interrogatories (R. 3899-3907) and the court sustained these objections as to all but 12 of them (R. 4510-14). Appellant also moved for production of the documentary material supporting the attorney fees which defendants asserted they incurred (R. 3826-29) and while the court below required production of some such materials, it denied access to the individual or group day-books kept by defendants' attorneys. Thus, the billing materials attached to the affidavit of James W. Geriak (R. 3944-45) which are uninformative in the extreme with regard to the specific nature of the services actually

performed by counsel for defendants, even though quite voluminous, are all that we had to work with in attempting to present to the district court a rational approach to apportionment. Finally, a one-day hearing was held on the matter of attorney fees (R. 4662; Post Trial Tr. 102-217) during which appellant requested in open court that it be allowed to take appropriate depositions with a view toward clarifying the apportionment situation, but this too was denied (Post Trial Tr. 95).

This brief proceeding was concluded by the setting of the amount of the award of attorney fees at \$280,000 together with the court's filing of a supplemental memo of decision re attorneys fees (R. 4665-70). No findings of fact were entered that could be considered in any way to support or even provide a basis for conjecture as to how this particular sum was arrived at. There are thus no findings before this Court which could advise this Court as to the basis of the district court's award of \$280,000 as a reasonable award of attorneys fees.

The Errors Made By The Court Below In Making The Award Of Attorney Fees And In Assessing The Amount Thereof.

Even had the award of attorneys fees herein been restricted to the patent side of the case, such award would have been error since the case was not "exceptional" within the meaning of 35 USC 285, but the misconstruction and misapplication of the law by the court below in making its award went far beyond the confines of an award in a patent case since the court made no effort to exclude work done relating to the non-patent side of the case from the basis for the award. Failure to make such apportionment prevented the court from stating the basis for the award with the clarity required by law and we believe that the award should be set aside for

this reason alone. Furthermore, the court's attempt to invoke its "general equity power" (R. 4670) to bolster its award with regard to non-patent services was unprecedented and contrary to law.

Still further, since the present case was commenced as an action for unfair competition based on diversity of citizenship under 28 USC 1332 (R. 2-9) (the claim for patent infringement was added by amendment more than a year after filing of the original complaint), the familiar diversity rule requiring application of state law must be given effect and the applicable California law prohibits an award of attorney fees other than pursuant to statute or contract, neither of which are available with regard to the non-patent side of this case.

We expect that it will not surprise this Court that the authorities relied upon by the court below in attempting to exercise its non-existent "general equity power" are precisely those rejected as unsound or distinguished as inapplicable to such a case as we have here in *Maier Brewing Co. v. Fleischmann Distilling Corp.*, (9 Cir. 1966) 359 F.2d 156.

In brief, we urge that the award of attorneys fees by the court below involves an exercise of power far beyond that possessed by district court judges and is reversible error because:

1. An award of attorneys fees under the patent statute, 35 USC 285, such as the present award purports to be, must be predicated upon a clearly stated basis and must be confined to work relating *only* to the patent side of the case and work done relating to non-patent claims for relief must be excluded by apportionment. Indeed, fees cannot be awarded under the patent statute for work which would have necessarily been performed with regard to the non-patent

side of the case even if such work is equally useful for the patent side of the case.

2. After apportionment, there can be no award of attorneys fees for the unfair competition side of the case because (a) any attempt to do this by exercise of a general equity power would be in direct conflict with firmly settled policy repeatedly announced by the Supreme Court of the United States and recently confirmed by that tribunal and (b) since jurisdiction regarding the unfair competition side of the case was based on diversity of citizenship, state law must be followed in determining whether the court has power to award attorneys fees under *Erie Railroad Company v. Tompkins*, 304 U.S. 64, 82 L.ed. 1188 (1938) and the applicable California law, Section 1021 of the Code of Civil Procedure, prohibits such an award.

3. There was nothing exceptional about the patent side of this case. Appellant neither unduly prolonged it, prosecuted it in bad faith nor committed fraud on the Patent Office in obtaining its patent.

4. Were the patent side of the case to be deemed exceptional, applications of the rule of *Dubil v. Rayford Camp & Co.* (9 Cir. 1950) 184 F.2d 899, would reduce the award from \$280,000 to not more than \$37,000.

The Failure to Apportion

A Clear Statement Of The Basis For The Award Must Be Made And This Requires Apportionment.

This Court left no doubt with regard to the necessity for a clear statement of the basis of any awards that might be made under 35 USC 285 when, in *Dubil* at 184 F.2d 903 it said:

“As we have just said, the basis on which attorney fees are to be awarded must be stated clearly. Otherwise it becomes the duty of the reviewing court to set the award aside.”

In the present case, the basis upon which the award of attorneys fees was made is anything but clearly stated. Notwithstanding the fact that it recognized (R. 3570), that:

“The case, therefore, divides itself into two parts, the non-patent counts and the patent count.”

The lower court refused to give effect to this division when making the attorney fee award. Rather, the court below found (R. 4665) it “impossible to separately treat the evidence which was relevant and material to the patent count (Count Six) and its defenses from the evidence relevant and material to the other counts”.* Lack of clarity is also manifest from the statements (R. 4670) that the award is supported by the “general equity power” of the court and that Rule 37(c) provides basis for awarding attorneys fees and would be applicable in “certain instances” (unspecified) in this case which are hardly consistent with the following statement that the “award made in this case is within the authority of the statute” (35 USC 285). Thus, not only did the failure of the court below to make the apportionment required by law necessarily prevent that court from making a clear statement of the factual basis for the attorneys fees award, so also would it appear to have compelled the court to reveal great uncertainty with regard to the

* This is also inconsistent with paragraph 4 of the court’s order denying defendants’ motion for summary judgment on the patent count wherein the court stated that the issues posed by this count “appear to be severable from the remainder of the case for separate and early trial” and invited a motion for such a separate trial (R. 1103). No such motion was made.

legal basis for the award, all in violation of the rule of *Dubil*.

Furthermore, the federal appellate tribunals which have considered the question of apportionment have required that it be made. In *Aeration Processes, Inc. v. Kidde & Co., Inc.*, (2 Cir. 1949) 177 F.2d 772, two patents were involved, one held to have involved an exceptional case under the statute and one otherwise. Pursuant to original remand by the Court of Appeals for the 2nd Circuit to the District Court with instructions to determine whether attorney fees should be awarded, the prevailing parties submitted proof of their overall expenses and made no attempt to apportion as between the two patent claims. Attorneys fees were thereupon *denied* by the District Court, but the Court of Appeals reversed and returned the case to the District Court with leave to the prevailing parties to prove their reasonable expenses in preparing to defend *solely* against the patent claim found to be exceptional. In this, the court indicated that the failure to apportion below would have constituted ground for complete denial of any fees except for the fact that the prevailing parties might have been misled by the court's earlier opinion. In *Turchan v. Cincinnati Milling Machine Co.*, (6 Cir. 1953) 208 F.2d 228, while the opinion is somewhat cryptic, it would appear that certain patents had been originally sued upon. The defendant, ultimately the prevailing party, counterclaimed by way of declaratory judgment, asserting the invalidity of the patents. Thereafter, certain of the originally sued upon patents were dropped from the complaint but not from the counterclaim. After trial, it was urged that the original assertion of the dropped patents made the case an exceptional one. Attorneys fees were denied and, significantly, in affirming, the court gave as one basis for decision that:

“ . . . much of the work claimed to have been done by the defendant was necessary in support of its counterclaim. . . . ”

In *Sanford Research Co. v. Eberhard Faber Pen & Pencil Co.*, (7 Cir. 1967) 379 F.2d 512, 516 the court demonstrated clear recognition that the patent statute cannot be relied upon as a basis for awarding attorneys fees relating to the unfair competition side of a combined patent-unfair competition case.

Indeed, the oft-cited decision in *Carter Products, Inc. v. Colgate-Palmolive Co.*, (D. Md. 1963) 214 F.Supp. 383, which was relied upon by the court below in the present case, is to the same effect as *Sanford, supra*, and makes it clear that the patent statute will not support an award of attorneys fees for the non-patent side of the combined patent-trade secret case at 214 F.Supp. 414 as follows:

“There is no similar statute with respect to the trade secret issues. Any such award must be based upon the inherent power of a federal court to award attorneys’ fees as costs in certain types of cases.”

The foregoing, we submit, renders inescapable the conclusion that an assessment of attorneys fees under the patent statute, 35 USC 285, must be limited to an exceptional *patent* case and cannot include a trade secret or unfair competition case, exceptional or otherwise, just because the trade secret case happens to be related to the patent case and may procedurally be tried at the same time. As stated by this Court in *Maier* at 359 F.2d 158:

“We start with the long established principle that a successful party cannot, in an ordinary action at law or in equity, recover his attorney’s fees incurred

in the action, unless such recovery is provided for by statute or contract. It makes no difference whether such a recovery by denominated costs or damages or something else. This has long been the rule in the federal courts, and in the courts of California."

The Inclusion of Non-Patent Services in the Award

General Equity Power Cannot Support An Award Of Attorney Fees For The Non-Patent Side Of The Case.

The same policy considerations as those requiring apportionment preclude reliance upon the general equity power of the court as support for an award of attorney fees herein for any work done relating to the non-patent side of the case, *viz.*, since there is no statute or contract authorizing such award, only the most extraordinary circumstances would warrant exercise of equity power in this regard, prevention of inhibition of use of the judicial process being considered enormously more important than compensation of the prevailing party.

This policy has long prevailed in this country. As early as 1796, the Supreme Court recognized the American rule denying the recovery of attorneys fees in the federal equity courts even though those courts had the power to award such fees, *Arcambel v. Wiseman*, (1796) 3 Dall. 306, 1 L.ed. 613. This rule constituted a deliberate departure from the English practice, stemming initially from the colonies' distrust of lawyers and continuing because of the belief that the English system favored the wealthy and unduly penalized the losing party, 38 Yale L.J. 849. This policy has remained unchanged since the early days and was followed in no uncertain terms in *Oelrichs v. Spain*, (1872) 82 US 211, 230-231, 21 L.ed. 43, 45, where, after noting the dangers

which would be encountered in frequent fee-setting by the court and in inviting protracted litigation over the awards, the court said:

“We think the principle of disallowance rests upon a solid foundation, and that the opposite rule is forbidden by the analogies of the law and sound public policy.”

The current vitality of this policy and its general application are evidenced by the decision in *Farmer v. Arabian American Oil Co.*, (1964) 379 US 227, 13 L.ed.2d 248, where the Supreme Court reversed a decision involving taxing of costs and, in directing the lower court to give careful scrutiny to any items which prevailing litigants might request be awarded to them, observed at 379 US 235:

“Any other practice would be too great a movement in the direction of some systems of jurisprudence that are willing, if not indeed anxious, to allow litigation costs so high as to discourage litigants from bringing lawsuits, no matter how meritorious they might in good faith believe the claims to be.”

This was, of course, quickly followed by the affirmance of this court's decision by the Supreme Court in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, (1967) 386 US 714, 18 L.ed.2d 475, wherein the court specifically reaffirmed the policy pronounced in *Arcambel*, *Oelrichs* and *Farmer* and said at page 478:

“Although some American commentators have urged adoption of the English practice in this country, our courts have generally resisted any movement in that direction. The rule here has long been that attorney's fees are not ordinarily recoverable

in the absence of a statute or enforceable contract providing therefor.”

Notwithstanding all of the foregoing, the court below in the present case has attempted to find support for its attorney fee award for the entire case in *Sprague v. Ticonic National Bank*, (1939) 307 US 161, 83 L.ed. 1184, *Local 149 International Union, etc. v. American Brake Shoe Co.*, (4 Cir. 1962) 298 F.2d 212 and *Rolax v. Atlantic Coast Line Railroad Co.*, (4 Cir. 1951) 186 F.2d 473. These cases are no more applicable here than they were in *Maier*, and it makes no difference that *Maier* was a case involving a statutory remedy which did not include attorney fee awards. Accordingly, we will point out in some detail why the aforementioned authorities relied upon by the lower court are inapplicable here.

Sprague v. Ticonic National Bank, (1939) 307 US 161, 83 L.ed. 1184 is a common fund case and was so designated by the Supreme Court in *Maier* at 18 L.ed.2d 479. Common fund cases are one of the limited exceptions to the American rule prohibiting awards of attorney fees in the absence of statute or contract and are, of course, based on the principle that it would be unjust and inequitable to allow others to obtain full benefit from a plaintiff's efforts in establishing or creating a common fund for the benefit of these others as well as himself without requiring contribution or charging the common fund for attorney fees. Patently, there is no common fund in the present case and, just as this court noted in its opinion in *Maier* at 359 F.2d 164, the present case:

“ . . . is in substance an action in tort, and we cannot see anything so peculiarly heinous about this tort as to justify the use of the ‘historic equity jurisdiction’ to award attorney's fees to the plaintiff.”

This reasoning applies with even more force where, as here, the award of attorneys fees is to prevailing defend-

ants since the defendants have suffered no property loss or appropriation and the matter reduces itself to the striking of a balance between discouraging free access to the courts of the land and providing rarely granted compensation to a party found to have been unfairly burdened by reason of having to pay his lawyer for services in defending litigation. We, of course, do not concede that defendants have been unfairly burdened in this regard in the present case, but will assume this for the purpose of the present discussion since fees could not be awarded in either event.

Indeed, Congress went so far as to codify the less favored standing of prevailing defendants to recover attorney fees in the anti-trust laws, 15 USC 15, wherein such awards are limited to prevailing plaintiffs in anti-trust cases, and then only when trebled damages are awarded, regardless of whether injunctive relief is granted. This was emphatically recognized in *Byram Concretanks, Inc. v. Warren Concrete Products Co.*, (3 Cir. 1967) 374 F.2d 649 wherein the court also rejected the suggestion that *Sprague, supra*, stands for the proposition that there is federal equity power to grant attorney fees in any type of litigation where bad faith is found. Rather, the court ruled that "free access to the courts must neither be denied nor penalized."

Thus, not only is it well-recognized that *Sprague* is not authority for granting attorney fees in an unfair competition case even if it is found that the losing party has litigated in bad faith, it is also firmly settled that a prevailing defendant will not be awarded attorney fees under even the most extraordinary circumstances unless there is specific statutory authorization for such award. In view of this, it is hardly surprising that neither defendants nor the court below have been able to cite a case in which attorney fees have been awarded to a prevailing

defendant in an unfair competition case or that our own research has revealed no such case.

Rather, both defendants and the court below cite *Local 149 International Union, etc. v. American Brake Shoe Co.*, (4 Cir. 1962) 298 F.2d 212; a case in which attorney fees were *denied*; a case not involving unfair competition but rather an action under Section 301 of the Labor Management Relations Act; and a case in which the *dicta* relating to attorney fee awards in unfair competition cases was based on the line of authority (*Aladdin Manufacturing Co. v. Mantle Lamp Co. of America*, (7 Cir. 1941) 116 F.2d 708 and the cases cited in footnote 8 of *Maier* at 359 F.2d 161) devastated by this Court in *Maier*. Thus, the actual holding in *Local 149* is no authority whatsoever for an award of attorney fees in an unfair competition case and the *dicta* therein relating to unfair competition cases has been categorically rejected by this Court as unsound in the extreme.

Rolax v. Atlantic Coast Line Railroad Co., (4 Cir. 1951) 186 F.2d 473 is likewise a case without any relevance to the present proceedings. In *Rolax* it was held that, under the Railway Labor Act, plaintiff Negro firemen were subjected to discriminatory and oppressive conduct by a labor union required to protect their interest. Thus, not only did *Rolax* involve prevailing plaintiffs recovering for breach of a duty which was fiduciary in nature, but their success also benefited other union members similarly situated thereby creating a common right, if not a common fund, for other members of the group who had not contributed to the expense of litigation. Defendants in the present case can avail themselves of neither factor which influenced the court in *Rolax*, i.e., defendants are not victims of breach of a fiduciary relationship (just the opposite, this is the nature of the offense with which defendants are here charged) and it

certainly cannot be said that defendants prevailed below on behalf of a group of non-litigants charged with misappropriating appellant's confidential information.

We submit that the reliance by the trial court on the foregoing cases is but a reflection of the validity of the insight demonstrated by the present Court in *Maier* when it observed in footnote 11 at 359 F.2d 163 that attorney fee questions are often disposed of as mere incidents and are relegated to a "clean-up" paragraph at the terminal portion of the opinion. The trial in the present case was extended and vigorously contested. The many issues on the merits requiring decision by the trial court are amply illustrated in the lengthy opinion of the court and the short shrift given to the attorney fee issue is by no means unconventional. Indeed, even after the decision of this Court in *Maier*, other courts continue to add to the progeny of *Aladdin*, *supra*, e.g., *Hulburt Oil and Grease Co. v. Hulburt Oil and Grease Co.*, (7 Cir. 1966) 371 F.2d 251, which, curiously, did not cite *Maier*. Thus, it is no disparagement of the court below to say that, trial-weary and concentrating primarily on the merits, it misconstrued the law relating to awards of attorney fees in unfair competition cases and made an award which cannot be sustained regardless of the outcome of this appeal on the merits.

Before leaving the subject of the exercise of equity power in awarding attorney fees, we must also consider the only decision containing any support whatsoever for invoking general equity power to award attorney fees in an unfair competition case, *Carter Products, Inc. v. Colgate-Palmolive Co.*, (D. Md. 1963) 214 F.Supp. 383 which, with all deference, we submit was incorrectly characterized as a patent case by this Court in *Maier* in footnote 13 at 359 F.2d 164. While *Carter* did involve an award of attorney fees under the patent statute, it recog-

nized, as we have pointed out above, that fees for the unfair competition side of the case could not be awarded under the patent statute. Thus, the court awarded the unfair competition attorney fees in *Carter* as “costs”, 214 F.Supp. 414, and relied upon the altogether irrelevant decisions in *Sprague*, *Local 149* and *Rolax*, which we have discussed in detail above, as authority for the award.

Furthermore, as pointed out in *Capitol Tie Rak, Inc. v. Tie Rack Stores of Illinois*, (N.D. Ill. 1966) 152 USPQ 7, the award of attorney fees in *Aladdin* and its progeny were made as *compensatory damages* to a prevailing plaintiff. For this additional reason the authorities cited by the trial court are not applicable to the present case since a prevailing defendant cannot claim the award of attorney fees to be compensatory damages. This, of course, is another inherent defect in the reasoning of *Carter* wherein the “damages” of *Aladdin* referred to in *Local 149* were transmuted to “costs”, but since it was the plaintiff who prevailed in *Carter*, the error there in designating the award as costs rather than damages would have been harmless had the court possessed the equity power to make the award, were it not for the danger so clearly apparent here that this error in language would be urged in later cases together with the fundamental legal error in making the non-patent award in *Carter* as support for the very argument which defendants made and the lower court accepted, i.e., that *Carter* is precedent for an award such as that now before this Court. Rather, *Carter*, insofar as it concerns non-patent attorney fee awards, is but one more paste-board in the house-of-card line of authority which this Court so convincingly swept aside in *Maier*.

Thus, the conclusion of the court below (R. 4669) that *Sprague*, *Local 149*, *Rolax* and *Carter* are:

“... authority for the proposition that the Court may award attorneys’ fees as costs in non-patent claims when such claims are unconscionable, the equivalent of fraud, in bad faith or solely for the purposes of vexation and harassment.”

is quite clearly a misconstruction of the law. Furthermore, as we shall demonstrate in the following section of this brief, even if the general equity power of the court would countenance an award of attorney fees for the non-patent side of the case, such power could not be invoked in the present case because the state law which prohibits such an award must be applied.

**THE ERIE DOCTRINE REQUIRING APPLICATION
OF THE STATE LAW PROHIBITING AN AWARD
OF ATTORNEY FEES IN THE ABSENCE OF
STATUTE OR CONTRACT MUST BE OBSERVED
HERE WITH REGARD TO THE NON-PATENT
SIDE OF THE CASE.**

Finding of Fact No. 11 by the court below leaves no doubt that jurisdiction as to the non-patent side of the present case is based on diversity of citizenship under 28 USC 1332. Thus, as to the non-patent claims for relief, the familiar rule of *Erie Railroad Co. v. Tompkins*, 304 US 64, 82 L.ed. 1188 (1938) must be followed thereby requiring application of the law of the forum, i.e., California law. The applicability of the *Erie* rule and the California law cannot be doubted in view of this Court’s decisions in *Kemart Corp. v. Printing Arts Research Laboratories* (9 Cir. 1959) 269 F.2d 375, and *Bliss v. Gotham Industries, Inc.* (9 Cir. 1963) 316 F.2d 848, which make it clear that the possibility that pendent jurisdiction under 28 USC 1338(b) might have been available in the present case had the suit been commenced

after issuance of the patent which was added by amended complaint (R. 27-40) is of no moment.

The applicable California law is Section 1021 of the California Code of Civil Procedure which provides:

“Except as attorney fees are specifically provided for by statute, the measure and mode of compensation of attorneys and counselors at law is left to the agreement, express or implied, of the parties; but parties to actions or proceedings are entitled to costs and disbursements, as hereinafter provided.”

The California Supreme Court had occasion to pass upon this statute in *Freeman v. Goldberg* (1961) 55 Cal.2d 622, 12 Cal. Rptr. 668, 361 P.2d 244 where it ruled:

“Ordinarily, a successful litigant is not entitled to attorney’s fees as costs in the absence of special statutory authorization. Code Civ. Proc. Section 1201;....”

Our research has revealed no reported case in which attorneys fees have been awarded in an unfair competition case wherein jurisdiction was based on diversity in the face of state law proscribing such award. Rather, in *City Messenger of Hollywood v. City Bonded Messenger Service* (7 Cir. 1958) 254 F.2d 531, the court followed state law and refused to allow an award of attorney fees in an unfair competition case based on diversity of citizenship. Similarly, in *Stokes v. Reeves* (9 Cir. 1957) 245 F.2d 700, a diversity case which did not involve unfair competition, this Court ruled that application of the *Erie* doctrine was mandatory thereby requiring that state law be followed in determining whether an award of attorney fees should be made.

The foregoing analysis is in no way affected by the decision in *Hanna v. Plumer* (1965) 380 US 460, 14

L.ed.2d 8, even if it is interpreted as holding that, in a diversity case, when a state law is in direct conflict with a federal rule of civil procedure, the federal rule will control. In the present case there is no federal rule contrary to or in conflict with the state statute. We recognize that the court below made reference to Rule 37(c) (R. 4670), but this reference can hardly be considered as complying with the requirement of *Dubil v. Rayford Camp & Co.* (9 Cir. 1950) 184 F.2d 899 that the basis for attorney fee awards be clearly stated since the court below merely said:

“Rule 37(c) also provides a basis for awarding attorney fees and this rule would be applicable in certain instances in this case.”

No other federal rule of civil procedure has been relied upon or referred to by the court below with regard to the award of attorney fees nor does there appear to be any other federal rule which conflicts with the state statute. Furthermore, it is believed to be self-evident that the award of attorneys fees herein is most definitely bound up with the definition of the rights and obligations of the parties such that state law would have to be applied in any event in accordance with the interpretation of *Erie* in *Byrd v. Blue Ridge Rural Elec. Co-op.* (1958) 356 US 525, 2 L.ed.2d 953.

Before leaving the diversity point, we are obliged to mention the interpleader cases decided by this Court which have either expressly or impliedly refused to follow state law with regard to awards of attorneys fees and the Illinois federal authorities which are in direct conflict therewith. In all deference, it is submitted that the interpleader attorney fee cases decided by this Court have either overlooked the diversity rules and the state statute or have grown out of reliance upon authority

that did not stand for the proposition attributed to it. Briefly, the history of this line of authority apparently began with, curiously enough, a lower court decision in a libel case, *Kellems v. California CIO Council* (N.D. Calif. 1946), 6 F.R.D. 358, a diversity case in which the state statute *did* empower the court to award attorney fees and in which the court invoked its equity power to award a reasonable fee rather than that actually incurred by the prevailing party. *Kellems* was seized upon by the lower court in *Bank of China v. Wells Fargo Bank and Union Trust Co.* (N.D. Calif. 1952) 104 F.Supp. 59, 67, 68 as authority for finding that the federal courts have discretion not only with regard to the *amount* of attorneys fees to be awarded, but also with regard to the power of deciding *whether* such fees should be awarded. The invocation of Federal Rule of Civil Procedure 54(d) in *Kellems* as basis for using discretion in determining the amount of fees to be awarded was also appropriated by the lower court in *Bank of China* as the basis for the asserted power to make the award. This Court affirmed *Bank of China* at (9 Cir. 1953) 209 F.2d 469 and met the problem of the *Erie* rule and the state statute head on at 209 F.2d 476 by stating that California Code of Civil Procedure Section 1021 prohibits recovery of attorneys fees as part of costs in interpleader cases but ruled that the state law was not "determinative in diversity actions" citing *Palomas Land and Cattle Co. v. Baldwin* (9 Cir. 1951) 189 F.2d 936, an interpleader case brought under the federal interpleader statute, 28 USC 1335, rather than being based on diversity as was *Bank of China*. Thus, the lower court's decision in *Bank of China* was based on the decision in *Kellems* in which there was a state statute authorizing the award of attorney fees and the affirmance by this Court held state law not to be applicable in diversity actions on the basis of *Palomas*, a case in which the

decision was apparently based on the fact that jurisdiction rested on federal law and not upon diversity.

Even if the federal interpleader statute, 28 USC 1335, be considered to create but another specie of diversity jurisdiction (since it does require that two or more adverse claimants be of diverse citizenship rather than requiring that all of plaintiffs and all of defendants be of diverse citizenship as does 28 USC 1332) it is submitted that for the reasons stated by this Court in *Bliss v. Gotham Industries* (9 Cir. 1963) 316 F.2d 848 and *Stokes v. Reeves* (9 Cir. 1957) 245 F.2d 700, failure to apply the *Erie* rule in *Palomas* and *Bank of China* with regard to attorney fees renders these rulings erroneous and that the correct view is stated in the line of Illinois cases exemplified by *Aetna Life Insurance Co. v. Johnson* (N.D. Ill. 1962) 206 F.Supp. 63, wherein *Palomas* and *Bank of China* are discussed. In the unlikely event this Court should adhere to *Palomas* and *Bank of China*, those decisions would not support an award of attorney fees with regard to the non-patent side of the present case since, as pointed out in the previous section of this brief, they are interpleader cases which stand on an entirely different footing from this case insofar as attorney fee awards are concerned.

THE AWARD INSOFAR AS THE PATENT SIDE OF THE CASE IS CONCERNED

The bases upon which the trial court found this case to be "exceptional" within the meaning of 35 USC 285 appear in its Memorandum of Decision at pages 148-149 (R. 3707 and 3708) and are (1) undue and unnecessary prolongation of the litigation by plaintiff and (2) fraudulent representations to the Patent Office. Additionally, while not mentioned in the Memorandum of Decision,

Finding of Fact No. 136 (R. 3756), subsequently adopted, stated that the action was largely prosecuted in bad faith. However, we believe the record to make it clear that plaintiff did not engage in any such reprehensible activity so as to justify an award of attorney fees under this patent statute. Rather, the record shows that:

1. Plaintiff in no way unduly or unnecessarily prolonged the patent side of the litigation, this being the only portion of the litigation which can be considered as a basis for award under 35 USC 285.

2. To the extent that the court below based its finding of exceptionality on a conclusion that the patent cause of action was prosecuted in bad faith, this too was error because the court misconceived the effect of the applicable law.

3. Neither plaintiff nor any of its agents or employees made any fraudulent representations to the Patent Office. To the extent that there were any inaccuracies in the representations made by plaintiff to the Patent Office, such representations were believed to be true by plaintiff at the time they were made and defendants have completely failed to sustain the burden of proof required to establish that plaintiff knowingly and intentionally deceived the Patent Office. Furthermore, none of the representations found by the court below to involve fraud were relied upon by the Patent Office in issuing the patent in suit, these representations thus being immaterial and incapable in law of supporting a finding of fraud.

Aside from the matter of trial prolongation, which we believe can be disposed of summarily, the determination by the trial court that this case is exceptional within the meaning of 35 USC 285 results from misconceptions of law relating to the requirements for establishing a statu-

tory bar, from failure to recognize the complex nature of the questions of fact and law surrounding the prior uses set forth in Finding of Fact No. 92 (R. 3734) and from a misconception of the law regarding the nature of evidence required to meet the burden of proof necessary to establish fraud. Thus, we submit that the determination below that this case is exceptional must be set aside in keeping with the prescription of *Dubil v. Rayford Camp & Co.* (9 Cir. 1950), 184 F.2d 899, 903 that this must result when there is an “erroneous conception of law on the part of the trial judge.”

Furthermore, we submit that the record clearly establishes that the present case is far less susceptible of being found exceptional than was the lengthy and well-known controversy in *Union Carbide Corp. v. Graver Tank & Mfg. Co.* (7 Cir. 1965) 345 F.2d 409, 414, where the court found that the case was not exceptional simply because it was hard fought and where each party won something and lost something. The present case was certainly hard fought, but the proceedings here in no way compare with the monumental effort expended in *Union Carbide*, and here appellant prevailed upon the infringement issue and thus, as in *Union Carbide*, won something, even though it cannot be denied that should the trial court’s opinion on the merits stand unchanged, appellant here lost far more than it won.

Plaintiff Did Not Unnecessarily Or Unduly Prolong The Patent Case.

We have previously pointed out in detail why any award under 35 USC 285 must be restricted to the patent side of the case. Keeping this in mind, based on generous estimate, the record reflects that at the very most plaintiff spent no more than a total of 2 days in introducing the

Anderson patent (Exhibit 1/PS*) into evidence and in eliciting evidence relating to conception and reduction to practice and to infringement (see Tr. pages 931-72, 1123-48, 1157-81, 1323-31, 1767-69, 1940-60, 5273-5302, 5330-39, & 5404) and it must be pointed out that this strikingly economical effort was successful as to infringement as per the court's Memorandum of Decision, page 148 (R. 3707). Less than 10 days were devoted by plaintiff to rebutting defendants' position with regard to the Anderson patent (see cross examination & rebuttal testimony in Tr. Vols. 41, 42, 43, 65-67, 69, 93, 94 & 96-100). If, as the trial court apparently considered appropriate, the pre-trial proceedings be included in this evaluation, it is clear that an allotment of 3 of the 11 days consumed therein as attributable to the patent issues would be more than ample. Thus, plaintiff's activities in both trial and pre-trial devoted to the patent issues amounted to not more than a total of 15 days in a case which took some 100 days to try. If this be undue prolongation, it would indeed be difficult to find a case not "unduly prolonged".

Thus, we submit that the use of "undue prolongation" by the court below as a basis for the fee award under 35 USC 285 is clearly without even a vestige of support in the record and is apparently the result of the trial court's misconception of the law to the effect that the non-patent side of the case may be used as the support for an award of attorneys fees made under the patent statute.

Appellant Did Not Prosecute The Patent Cause Of Action In Bad Faith.

Although Finding of Fact No. 136 (R. 3756) states that the patent action was largely prosecuted in bad faith, this finding makes it quite impossible to determine at what point in time or what evidence of patent invalidity the

*Both plaintiff's and defendants' designations for exhibits are given where appropriate.

trial court considered determinative as to bad faith. Rather, this finding simply makes the vague statement that at an unspecified time during discovery unspecified grounds of invalidity were forcefully brought to plaintiff's attention such that further prosecution was in bad faith. Thus, this finding falls far short of the requirement of *Dubil, supra*, for a clear statement of the basis upon which attorney fees are granted.

The only grounds of invalidity not disposed of elsewhere in this brief are certain principal uses found to be anticipatory of the patent claims in suit (Finding No. 92, R. 3734) and to be statutory bars because not secret (Finding No. 94, R. 3735). Thus, we will explain in the following section of this brief why appellant retained a good faith belief in the validity of its patent in the face of the evidence relating to the uses identified in Finding No. 92 and will also briefly discuss the *ex parte* test described in Finding No. 135 (R. 3755) since this test is also referred to in Finding No. 136.

The Prior Uses Of Finding Of Fact No. 92.

In Finding of Fact No. 92(d)-(f) (R. 3734), certain uses by Northwest Magnesite at Cape May, New Jersey, Mathieson Alkali Works at Saltville, Virginia and Ideal Cement Company at Ada, Oklahoma are set forth. As to the Saltville and Cape May uses, it was appellant's position that neither of them could be a statutory bar because (1) the uses were secret and (2) the uses did not involve the Anderson invention because they were of lime and magnesite kilns, not cement kilns. As to the Ada use, it was appellant's position that the evidence of that use was entirely insufficient to establish any use at all prior to the filing date of the Anderson patent application. In this, appellant was entitled to, and did, rely on the fact that the burden of proof on he who attempts to establish a

statutory bar in the form of a public use is a very heavy one. As stated in *Radio Corporation v. Radio Engineering Laboratory* (1934) 293 US 1, 79 L.ed. 163, every reasonable doubt is to be resolved against a defendant relying upon the defense of prior invention. Similarly, in *Paraffine Companies v. McEverlast, Inc.* (9 Cir. 1936) 84 F.2d 335, 339, this Court recognized that the burden of proof on the issue of prior public use "rests heavily" upon the party seeking to show such use. See also *Tucker Aluminum Products, Inc. v. Grossman* (9 Cir. 1963) 312 F.2d 293, and *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corp.* (9 Cir. 1963) 316 F.2d 459.

Thus, at worst, appellant here did no more than put defendants to their proofs as to asserted statutory bars under circumstances where the burden of proof rested heavily on defendants. We submit that this can hardly be characterized as bad faith litigation.

Furthermore, we believe the record and applicable law to make it clear that the question of whether any of the uses recited in Finding No. 92(d)-(f) were statutory bars was an extremely close one and that appellant had every reason to believe that it could:

1. Establish that the Cape May and Saltville uses were secret rather than public;
2. Establish that the Cape May and Saltville uses were not uses of the patented invention; and
3. Establish that defendants' evidence as to the Ada use was no evidence of any use whatsoever, much less a public use of the patented invention.

**Appellant Could Reasonably Believe That The Cape May
And Saltville Uses Would Be Held To Be Secret So As
Not To Be Statutory Bars.**

It is well settled that a secret use, that is, one that does not inform the art, cannot be a statutory bar as to a patent. *Gillman v. Stern* (2 Cir. 1940) 114 F.2d 28, *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co., Inc.* (2 Cir. 1946) 153 F.2d 516 and *Minneapolis-Honeywell Reg. Co. v. Midwestern Inst., Inc.* (7 Cir. 1961) 298 F.2d 36. Indeed, a defendant relying upon a prior use as a statutory bar must prove by clear and convincing evidence that the prior use "enriched the art", *Geo. W. Ashlock Co. v. Atlas-Pacific Engineering Co., Inc.* (D.C.N.D. Cal. S.D. 1963) 225 F.Supp. 205, modified (9 Cir. 1965) 339 F.2d 288.

The evidence relating to the Saltville and Cape May installations (see Tr. Vols. 51-56, 63, 96-A, 99 and 100) relied on by defendants to support their defenses both as to the non-patent and patent sides of the case (Tr. 5953) simply cannot be considered to clearly and convincingly establish that these uses were statutory bars. Only selected employees of the operators of these installations and the brick supplier, Harbison-Walker, had any knowledge of the short-shimmed linings used therein. The trial court ultimately concluded that even though this knowledge was restricted to the users thereof for their own purposes and commercial advantage to the exclusion of competitors and the remainder of the public, it was not secret and rendered the uses public. We have not brought the issue, as such, of whether these uses were public before this Court, but we submit it is clear beyond any doubt that appellant was entitled to litigate this issue below. This is all the more so when it is kept in mind that the evidence relating to the Cape May installation was substantially completely oral in character and thus sub-

ject to an extremely high degree of unreliability, *Zachos v. Sherwin-Williams Co.* (5 Cir. 1949) 177 F.2d 762, *National Latex Products Co. v. Sun Rubber Company* (6 Cir. 1959) 274 F.2d 224. Indeed, it has been held that such oral testimony cannot be relied upon to establish a prior use, *Washburn & Moen Mfg. Co. v. Beat 'Em All Barbed Wire Co.* (1892) 134 US 275. This is particularly true where, as here, the purported use is by a large, modern company which would reasonably be expected to possess documentary evidence and where, as here, no such evidence is produced.

The only documentary evidence of any kind in any way clearly relating to these uses is a letter from Harbison-Walker to Ideal Cement Company dated October 21, 1953 (Exhibit DF) that even arguably could be considered a disclosure of the short-shimmed linings to someone other than the operators or brick suppliers. However, rather than being evidence of non-secret use, this letter did not disclose the names of the "large chemical plants in the east" nor did it disclose the manner in which the lining was constructed. Certainly, this letter standing by itself does not operate to render an otherwise secret use public and we submit that it is far more indicative of a secret use than a public use.

With regard to the Ada installation, it should be noted that, although evidence was produced concerning the shim practices of Ideal Cement, there were no records establishing the installation of a short shim kiln lining there until 1955. All available documentation shows that the use of short shims in a kiln lining at Ideal began no earlier than 1955 (Exhibits 125, 128, 1076 and 1077). Exhibits 1076 and 1077 even refer to the "new shim". Evidence to the contrary is all oral testimony and thus must be subjected to severe scrutiny. *Washburn & Moen Mfg. Co. v. Beat 'Em All Barbed Wire Co.*, *supra*; *Zachos v.*

Sherwin-Williams Co., supra; National Latex Products Co. v. Sun Rubber Company, supra. We submit that this oral evidence adduced by appellees, controverted rather than supported by the documentary evidence, clearly fails to meet the burden of proof that must be successfully carried by the appellees. We therefore submit that appellant was completely justified in litigating the issue of the Ada “use”, and in expecting to prevail on it, and therefore was not acting in bad faith.

Appellant Was Entitled To Litigate The Question Of Whether The Cape May And Saltville Uses Were Of The Patented Invention.

Even assuming that the Cape May and Saltville uses were satisfactorily established as being public, appellant had reasonable grounds to litigate in good faith the issue of whether these uses were such as would anticipate the claims of the patent in suit because those installations were lime and magnesite kilns, not cement kilns. Differences exist between lime and magnesite kilns on the one hand, and cement kilns on the other (Tr. 12019-12021) so that the successful use of an article in one type of kiln would not necessarily suggest its use in the other type. Although the claims in question do not specifically recite a cement kiln, it has long been the rule in this circuit that the claims must be read in light of the specification. *Henry v. City of Los Angeles*, (9 Cir. 1919) 255 Fed. 769; *Bergman v. Aluminum Lock Shingle Corp. of America*, (9 Cir. 1957) 251 F.2d 801; *Hayes Spray Gun Company v. E. C. Brown Co.*, (9 Cir. 1961) 291 F.2d 319; *Hensley Equipment Company v. Esco Corporation*, (9 Cir. 1967) 375 F.2d 432. In *Del Francia v. Stanthony Corporation*, (9 Cir. 1960) 278 F.2d 745, this Court expressly stated that the specification of a patent can be used to limit a claim. The specification of the Anderson patent in suit

(Exhibit 1/PS) referred to cement kilns, and as will be discussed in more detail later in connection with the Wicken affidavit aspect of the fraud issue, the Patent Office Board of Appeals itself implicitly considered the claims in issue in the context of "cement" kilns. Interpreted in this manner, the claims of the patent in suit would have been limited to cement kilns in which case the uses at Saltville and Cape May could in no way have been considered as statutory bars and appellant was entitled to an opportunity to litigate this issue.

The Ex Parte Test.

While the primary underlying basis for Finding 136 (R. 3756) appears to be Finding 133 (R. 3754) which we have discussed above, the court further cited the "further fact" that appellant had by its own ex parte test described in Finding 135 (R. 3755) confirmed the fact that the short shim basic brick lining actually produced no discernible improvement in kiln operation. We will simply note that the test was conducted by installing in two kilns respectively short and full-shimmed linings, and that the persons who supervised the test felt that the short-shimmed installation gave better results (Tr. 1634; Tr. 2485; Tr. 2489-2495; see also Exhibit 585, pp. 8-9, pp. 32-34). Because variables between the two test kilns were not carefully controlled, it was concluded that the test results were not conclusive (Memorandum of Decision, p. 115, R. 3674). The test thus neither confirmed nor invalidated the conclusion that unexpected results flow from use of a kiln lining composed of short-shimmed brick. Appellees spent much time in establishing some of the deficiencies in the test, but it must be remembered that the purpose of the test was to establish that the invention in question was useful, a purpose

which renders the test almost immaterial since the utility of the invention is clearly established by Kaiser's adoption thereof as will be discussed later. We therefore submit that it was improper to impute any bad faith to the appellant in introducing evidence pertaining to this test.

Summary Re Lack of Bad Faith.

We have demonstrated that the various factors relied on by the court below in support of its conclusion that this action was largely prosecuted in bad faith by the appellant establish no such thing, but rather demonstrate only that appellant relied on the facts, presumptions of law, and legal theories that were available to it in securing the determination by a court of law on a number of highly involved issues. The court's apparent failure to recognize the complexities of the issues presented to it, and the proper law governing these issues, has resulted in the finding of bad faith, a finding which we submit is clearly erroneous. It is well settled that the good faith litigation of questionable issues is not such an act as to make a case exceptional under 35 USC 285. *Jacquard Knitting Machine Co. v. Ordnance Gauge Co.*, (D.C. Pa. 1952) 108 F.Supp. 59, affirmed 213 F.2d 503.

Significantly, the court below held the Anderson patent to be infringed (Memorandum of Decision, p. 148, R. 3707), a fact which emphasizes the good faith of appellant in prosecuting the patent cause of action.

That a long and protracted trial may make difficult an exercise of discretion by the trial court has often been noted by courts of appeal. *Union Carbide Corporation v. Graver Tank & Mfg. Co.*, (7 Cir. 1965) 345 F.2d 409; *Continental Can Co. v. Anchor Hocking Glass Corp.* (7 Cir. 1966) 362 F.2d 123. The District Court in the

present case, after such a trial, determined that the patent claims in suit were invalid. We submit that this conclusion, arrived at only after all of the issues were fully presented, may have seemed beyond doubt to the trial court, but it was certainly not such to appellant which engaged in lengthy and expensive litigation in its effort to enforce what it believed in good faith to be a valid patent.

APPELLANT MADE NO FRAUDULENT MISREPRESENTATIONS TO THE PATENT OFFICE

The Holding Of The Court Below Regarding Fraud On The Patent Office.

The court below held that appellant had practiced fraud on the Patent Office, (Findings of Fact 100-129 [R. 3737-53]). This finding of fraud appears to be based on the court's conclusion that appellant engaged in a pattern of conduct consisting of:

1. Deliberate concealment of the statutory bars from the Patent Office;
2. Falsehood in the petition to make special filed in the patent in suit;
3. Misrepresentations to the Patent Office as to "unexpected results"; and
4. False statements of novelty in the Wicken affidavit filed in the patent in suit.

However, we believe it important to note that the court recognized that there was insufficient basis in the record for finding that, standing alone, any one of the four foregoing elements would support a finding of fraud on the Patent Office. In this regard, the court said (memorandum of decision, page 147, R. 3706):

“An acceptable explanation may be plausible when each small point is isolated from the others, but when the picture is viewed in its entirety, the fact that the Patent Office was not told the then known truth is inescapable.”

With the exception of element 2 (the Petition to Make Special) which we will demonstrate could not have been the basis of allowance of the patent and was thus immaterial on the fraud issue, each of the foregoing elements, if established beyond a reasonable doubt, would not in and of itself support a finding of fraud. Thus, it is implicit in the holding of the court below that defendants did not sustain their burden of proof with regard to any single one of these elements, thereby leaving the court no alternative but to attempt, as it did, to shore up the deficiencies in evidence relating to each of these elements by relying on the mere presence of the other elements. We submit that this amounts to nothing more than using four unproven charges of fraud to construct a single charge of fraud which the court below was persuaded to accept as genuine. The seriousness of any charge of fraud and the severe burden of proof required to establish such a charge would themselves make such a practice highly questionable. In the present case, the state of the record is such that the law conclusively precludes any finding or inference of fraud based on elements 1, 2 and 4 and that the law is clear that defendants have fallen far short of meeting the requisite burden of proof with regard to element 3.

In the following sections of this brief, we shall demonstrate that the court's finding of fraud was clearly erroneous. However, before commencing our discussion of each of the aforementioned elements, we deem it

appropriate to point out the virtual *in toto* adoption* by the lower court of defendants' proposed fraud Findings 100-129 (R. 3737-3753); the statement by the court (p. 147, R. 3706) that it "has adopted the finding proposed by the defendants on the subject of fraud" which proposed finding (p. 147, R. 3706) was nothing more than a conclusion that fraud existed without a statement of the supporting reasons and which, curiously, never did find its way into the formal findings of fact; and the fact that the memorandum of decision entered below was cursory to the point of virtual silence with regard to the basic facts upon which the finding of fraud was based; all of which render it all but impossible to determine precisely what the trial judge actually considered significant in the meager evidence advanced by defendants on the fraud issue.

Furthermore, in order to avoid the necessity of repeating this point on several occasions below, we will pause here to acknowledge that we have not brought the holding of patent invalidity to this Court for review, for the reason that, given the requirements of Rule 52(a) and the evidence in the record supporting Finding 92(3) (R. 3734) relating to the Saltville use by Mathieson, we have no doubt that, although we continue to believe that the patent is valid, this Court would not reverse as to invalidity. However, we suffer from no such disability with regard to the asserted statutory bars which appellant assertedly concealed from the Patent Office because, even if it is conceded that all of the facts relating to these statutory bars were as defendants contended and as the court below found, these facts are insufficient in

* See *United States v. El Paso Natural Gas Co.*, (1965) 376 U.S. 651, 12 L.ed.2d 12, (particularly footnote 4) and *Roberts v. Ross* (3 Cir. 1965) 344 F.2d 747.

law to create statutory bars, much less knowing misrepresentation to the Patent Office, and failure to disclose them could not be fraud. Thus, we will include a discussion of why these specific purported statutory bars do not and could not invalidate the patent in suit even though this Court does not have before it the ultimate question of the validity of the patent in suit over all of the prior art of record, as well as a discussion of appellant's good faith. As to the latter, we will demonstrate that appellant did indeed disclose one of the purported statutory bars to the Patent Office which fact we believe sufficient, in and of itself, to render clearly erroneous Finding No. 102 (R. 3737) that statutory bars were fraudulently concealed.

APPELLANT DID NOT CONCEAL ANY STATUTORY BARS FROM THE PATENT OFFICE

The purported statutory bars which the court found to have been concealed from the Patent Office were 1955 sales of short-shimmed brick to and subsequent uses of kilns lined with such brick by Riverside Cement Co. (Finding of Fact No. 56, R. 3722) and Southwestern Portland Cement Co. (Finding of Fact No. 58, R. 3723), such short-shimmed bricks having been purchased from Kaiser and others by Riverside and Southwestern (Findings of Fact Nos. 98 and 99, R. 3736).

As to the notion of statutory bars based on sales we believe it appropriate to point out that Findings 98 and 99 were adopted by the court in the form proposed by defendants without change since the deficiencies in these findings are indicative of the problems created by the wholesale adoption of proposed findings. Finding No. 98 states that the "subject matter" of the "patent claims in issue" had been "on sale for more than one year" prior

to the filing of the continuation-in-part application which issued as the patent in suit. This finding is fatally deficient because the subject matter of the patent claims in issue is a "rotary kiln" and there is absolutely no evidence in the record or supportive findings relating to the sale of such kilns. More important, the reference in Finding 98 to Findings 55-58 and 62 as examples of the sales referred to in Finding 98 dramatically demonstrates the defective nature of Finding 98 since Findings 55-58 and 62 relate to the sale of *brick, not kilns*.

Finding 99 heaps more confusion upon this situation since it is but a nonsequitur. The first portion of Finding 99 states that the sales referred to in Finding No. 98 (it must be remembered that those sales related only to *brick*) and the use thereof by customers were regular sales and uses for profit, and "none of them constituted 'experimental use' of the invention at issue herein." This is superficially so only because the sale and use of brick cannot in any event be, experimental or otherwise, considered use of the rotary *kiln*, which constituted the invention, but is *immaterial* with regard to the question of whether a statutory bar was created. Furthermore, Finding 99 is improper because it is an effort by defendants, however ineffectual, to pass off a conclusion of law as a finding of fact; the term "experimental use" being, in context, nothing more than a legal conclusion as to whether the uses in question were "public" within the meaning of 35 USC 102(b) so as to qualify as statutory bars and this is doubtless the reason defendants felt themselves compelled to put the term "experimental use" in quotation marks in Finding No. 99. Thus, there is no need to scour the record to determine whether resort may be had to the "clearly erroneous" rule to dispose of findings such as these, rather they fall of their own weight because they simply make no sense and, in addition, par-

take more of the nature of conclusions of law than of findings of fact.

In the following sections of this brief, we will demonstrate that:

1. The sale of short-shimmed brick to Riverside or Southwestern does not constitute a statutory bar as to the invention of the patent in suit which is a lined kiln, not a brick. Furthermore, the 1955 uses of kilns lined with such brick by Southwestern and Riverside was experimental and could not create a statutory bar.

2. Even were the Riverside and Southwestern uses not experimental, they could not be statutory bars because the claims of the patent in suit are entitled to an effective filing date of February 4, 1955 which is earlier than these uses.

Neither The Sales To Or Uses By Riverside Or Southwestern Were Statutory Bars

In order for the 1955 activity of Riverside or Southwestern to qualify as a statutory bar under 35 USC 102 (b) such activity would have to be a public use or sale of "the invention". The invention defined in the patent claims in suit, and indeed the only invention disclosed or claimed in the patent, is a *rotary kiln*. Moreover, this invention is not any random type of kiln, but rather is a kiln having a lining composed of bricks. Thus, stated simply, this invention is a *lined kiln*.

Accordingly, in order to find a statutory bar at Riverside or Southwestern, we must find that a sale or a public use of a lined kiln took place at one or both of these companies in 1955. The question of "sale" can be disposed of with no difficulty. There is no evidence, nor are there any findings, directed to sales of lined kilns.

Rather, the findings, such as Nos. 55-58 and 62 relating to sales are concerned with sales of brick which are without consequence since a sale of but part of an invention cannot be a statutory bar under 35 USC 102(b). As held in *Goodwin v. Borg-Warner Corp.*, (6 Cir. 1946) 157 F. 2d 267, 272:

“The public use which invalidates an invention under Section 31, 35 U.S.C. [now 35 U.S.C. 102(b)] is a public use of the very invention patented.”

Similarly, in *Hemphill Co. v. Jordon*, (M.D. N.C. 1949) 86 F.Supp. 248, 250-51, affirmed in part and reversed in part, (4 Cir. 1950) 180 F.2d 457, the court said:

“These sets of parts were not assembled in such a manner as to form the combination claimed by the 2,146,750 patent in suit prior to February 3, 1932. In order to constitute a disclosure to the public such as would constitute a prior public use or sale, these parts had to be completed, delivered and accepted. The completion in this case would require the assembly of these parts on a knitting machine. Thus, even if these parts did include a latch ring which had a gap closer, they were shipped by freight from Pawtucket, R. I. to Milwaukee, Wisc. on January 30, 1932 did not constitute a prior public use or sale of a completed combination embodying the subject matter of the claims of the 2,146,750 patent in suit.”

We must turn then to the question of public use. We do not deny that there was a sale of short shimmed bricks in 1955 to Riverside and Southwestern and we do not deny that these bricks were installed in rotary kilns so as to bring into being lined kilns coming within the scope of the patent claims in suit. However, we do deny that this assembly in and of itself constitutes a public use of the invention within the meaning of 35 USC 102(b) be-

cause such assembly does not meet the minimum standard which the courts of the land have uniformly held to be required by the statute, *viz.*, successful completion of the invention which is often referred to in the authorities as “reduction to practice”. As stated in *Monroe Auto Equipment Co. v. Heckethorn Manufacturing and Supply Co.*, (6 Cir. 1964) 332 F.2d 406, 415:

“In order to anticipate, a prior device, though it does not have to be patented, must have been reduced to use and successfully performed.” (Citing this Court’s decision in *Stearns v. Tinker & Razor*, [9 Cir. 1955] 220 F.2d 49)*

Similarly, the law is well settled that an invention is not actually reduced to practice until it has been field tested when it is of such a nature that those skilled in the art would require field tests to prove that the invention will work as intended. In the words of Learned Hand in *Sinko Tool and Manufacturing Co. v. Automatic Devices Corp.*, (2 Cir. 1946) 157 F.2d 974, 977:

“The doctrine to be drawn from the books, as we read them is this — and incidentally it is the only doctrine that can find support in reason: a test under service conditions is necessary in those cases, and in those only, in which persons qualified in the art would require such a test before they were willing to manufacture and sell the invention, as it stands.”

See also *Minnesota Mining and Manufacturing Co. v. VanCleaf*, (7 Cir. 1943) 139 F.2d 550; *Consolidated Vultee Aircraft Corp. v. Maurice A. Garbell, Inc.*, (9 Cir. 1953) 204 F.2d 946; *In re Hartop*, (CCPA 1962) 311 F.2d 249; *Field v. Knowles* (CCPA 1950) 183 F.2d 593; and *Sherman v. American Telephone and Telegraph Co.*,

*See also *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corp.*, (9 Cir. 1963) 316 F.2d 459.

(S.D. N.Y. 1941) 38 F.Supp. 360, affirmed (2 Cir. 1942) 132 F.2d 321.

In the present case, there can be no doubt that neither Southwestern or Riverside on the one hand nor Kaiser on the other hand considered the 1955 uses to be anything more than trials or experiments to determine whether the lined kilns would operate as intended with the short shimmed bricks.

Turning now to the facts established by the evidence, the crucial questions to be answered are (1) do the patent claims in suit define an invention of such a nature that those skilled in the art would require field tests to prove that the invention will work as intended? and (2) if so, what type and extent of field testing is required to result in reduction to practice of the invention? As to the first of these questions, we submit that the record in this case permits no doubt that field testing was required to reduce the invention of the patent to practice since the testimony of all of the witnesses having skill in the art and all of the relevant documents are consistent with this view. As to the second of these questions, the record is equally clear that the intended purpose of a lined kiln is that it operate for lengthy periods of time such that reduction to practice could not be achieved until such lengthy operation had occurred.

We will not attempt to cite here every piece of evidence relevant to the fact that field testing of lined kilns is necessary to prove to those skilled in the art that an innovation or invention relating to such lined kilns will work as intended. Rather, it suffices to point out that there is absolutely no evidence to the contrary and to point out the following examples of the strong evidence which establishes this fact.

The necessity for field testing of lined kilns is perhaps best expressed by Kaiser's own people of long experience in the kiln art. For example, in Ex. 130/ED the Kaiser executive Davis indicated that "actual field experiences" would be necessary to "get the answer" with regard to whether kilns lined with short-shimmed brick would function satisfactorily. Indeed, the court itself characterized this exhibit as follows in its Memo. of Decision at page 69 (R. 3628):

"He is recommending that Petersen keep an open mind and that *only field experience* will furnish the information from which valid conclusions can be drawn." (Emphasis added)

To the same effect is Ex. 950/GV also authored by Davis which states in part:

"It has been our experience that a surprisingly *large number* of carefully observed *field trials* are required to evaluate both refractories themselves and various methods of refractory construction. This, of course, is so because of the great number of other variables which come into play, even in the same furnace." (Emphasis added)

The view of appellant's seasoned kiln operators was no different as is evident from the court's statement in the Memo. of Decision at page 66 (R. 3625):

"Johnson pointed out that Oberg was quite worried about the durability because it was an experimental lining which Oberg approved and it would have to last a number of months to justify the expense."

Thus, although no formal finding of fact to this effect was proposed by defendants or entered by the court below, the uncontroverted evidence and the court's

Memo. of Decision (R. 3628) make it clear that an innovation in lined kilns such as the use of short-shimmed bricks to construct the lining must perform satisfactorily in a field test before it can be accepted by those skilled in the art.

The fact that in order for a lined kiln to be acceptable to those skilled in the art it must be capable of operating continuously for an extended length of time, i.e., it must have an acceptably long lining life, is likewise not covered by any formal finding of fact proposed by defendants or entered by the court, but is indisputable on the record and is recognized by the court in its Memo. of Decision at page 18, (R. 3577) where it said:

“Once a kiln is placed in operation, it is run continuously for as long as possible.”

Similarly, as we have previously noted, the court (R. 3625) recognized the legitimate concern of appellant's employee Oberg that an experimental lining might not last the “number of months” required to justify its expense. Perhaps the most authoritative recognition of this fact appears in the affidavit of John M. Sauer (R. 918-922), who had been an employee of Riverside Cement Company, a competitor of appellant, for more than 25 years at the time he executed the affidavit and was at that time Division Superintendent at the Oro Grande facility of that company. In Mr. Sauer's words (R. 922):

“The length of the lining's life is an extremely important aspect of the lining;...”

With regard to the length of life required for an acceptable lining, Mr. Sauer said (R. 920):

“Burning zone linings, as a whole, last many months. In normal operation of a kiln they require replacement once or twice a year...”

Thus, not only are field trials necessary for reduction to practice of a lined kiln, but such trials must demonstrate that the kiln is capable of operating for an extended length of time on the order of six months to a year before it can be considered acceptable. Furthermore, a single field trial is not sufficient because of the many variables involved, but rather "a surprisingly large number" of such trials must be performed (Ex. 950/GV).

We have previously demonstrated that the fact that Kaiser or others sold brick to Riverside and Southwestern for the 1955 uses is legally irrelevant to the question of whether such uses constitute a statutory bar as to the invention claimed in the patent in suit because this invention is not brick but a lined kiln. Equally important is the absence of any finding of fact that the 1955 uses by Southwestern or Riverside constituted, taken individually or together, field trials sufficient in length and number so as to achieve reduction to practice of the invention prior to the statutory bar date. Only Findings Nos. 77 (R. 3729) and 99 (R. 3736) even approach this question.

We have already pointed out that Finding No. 99 which was adopted verbatim by the Court is, insofar as it is a finding of fact at all, directed to sales of *brick* and use of such brick by *installation* in a kiln, not to use of a lined kiln. Since use of a lined kiln is the only use which could possibly qualify as a statutory bar in the present case, Finding 99 and Findings 55-58, 62 and 98 which are incorporated therein by reference fall far short of stating the requisite facts for a statutory bar. Furthermore, to the extent it attempts to deny "experimental use", Finding 99 is nothing more than a conclusion of law since denial of experimental use is nothing more than another way of concluding public use and there can be no

doubt that a conclusion of public use is a conclusion of law as is evident from Conclusion of Law No. 22 (R. 3761-62) adopted by the court below.

At the very least, the statement regarding “experimental use” in Finding 99 involved a mixed question of law and fact and this Court has long held that it is not bound to apply the “clearly erroneous” test of Rule 52 (a) to such findings, but is free to review the record and substitute its own findings, *Weible v. United States*, (9 Cir. 1957) 244 F.2d 158, 161, 162.

Stated differently, when the findings of the court below go beyond the basic facts and involve inferences or ultimate conclusions such as that in Finding 99 regarding experimental use, the courts of appeals have long recognized that they are at least as well situated as the trial court to reach such conclusions and draw such inferences. *Kuhn v. Princess Lida of Thurn and Taxis*, (3 Cir. 1941) 119 F.2d 704, 705, 706.

This is all the more so when, as in the case of Finding 99, the finding is a verbatim adoption of a finding proposed by the prevailing party.

As for Finding No. 77, there is no indication therein that it refers to the 1955 uses by Riverside or Southwestern and the court’s amendment of this finding limits it to field trials or experiments “made on behalf of plaintiff or defendants”. Since it is clear as a matter of simple logic that a given use could be performed without any connection whatsoever to plaintiff or defendants and still be a field trial or experiment so as to disqualify it as a statutory bar, Finding No. 77 in no way binds this Court to the view that the uses at Southwestern and Riverside were not experimental.

Turning now to the evidence on this point, there can be no doubt that Kaiser considered the 1955 uses at

Riverside and Southwestern of kilns lined with Kaiser's short-shimmed brick to be experimental and its attitude is summed up in Ex. 183/FZ, an inter-office memorandum dated April 26, 1955 from Putnam to Davis, with a copy to Palmer Ford, all of Kaiser, which reads as follows:

"I have your handwritten note concerning your discussion with Palmer relative to the follow-up on the 'L-plated' brick at Riverside Cement, Oro Grande, and also your reference to the fact that Palmer has sold this brick to Southwestern Portland Cement at Victorville.

"I want to assure you that it is my firm belief that Palmer is keenly interested in following both of these installations and reporting the facts. In addition, I know that he will follow the performance of these results so that we may be completely apprized (sic) of the results. After all, it seems to me that Palmer has actually more interest (sic) in these *trials* than we do since he has been trying so hard to prove a point which *none of us seem to buy* at this writing. Unless I miss my guess, he will swamp us with all sorts of facts and figures." (Emphasis added)

That the Kaiser view was accurate is made clear by another reliable source, John M. Sauer, Division Superintendent of the Riverside Cement Company at Oro Grande who, in his affidavit, said (R. 922):

"Although affiant has never recommended or directed the installation of a lining which he expected to be a failure, the 1955 Oro Grande linings described in the October 13, 1961 affidavits were *trial* or *experimental* installations whose usefulness could not be determined until, among other things, the full lining life of several similar installations

was determined. The length of the lining's life is an extremely important aspect of the lining; and it took at least a year after the first 1955 lining described in the October 13, 1961 affidavit to determine the full lining life of the kind of linings described in that affidavit." (Emphasis added)

Mr. Sauer's employer, Riverside Cement, is a direct competitor of appellant and this fact imparts to his testimony the highest order of reliability.

We cannot offer this Court a similar statement by a Southwestern employee with regard to that company's 1955 use, but reference to the record makes it clear that appellant cannot be held responsible for this lack of evidence. In this regard, we respectfully direct this Court's attention to pages 5040-5069 of the Trial Transcript (Appendix, Part 3).

This portion of the trial transcript contains direct testimony by Jackson H. Woodward, Assistant Superintendent of the Southwestern Portland Cement Co. in 1955. At page 5046 of the trial transcript, Woodward testified that the Kaiser short-shimmed brick installed in 1955 in the Southwestern kiln did not constitute a complete burning zone and that at least one other type of vastly different brick was also used in the same burning zone of the kiln. Then, trial counsel for appellant repeatedly indicated that he wanted to explore the question of whether the 1955 use by Southwestern was "experimental" (page 5048) to explore whether it was "for comparative testing purposes" (page 5049), and to "find out what the facts of" this particular lining were (page 5050). These attempts were met by repeated objections by counsel for defendants and, in the end, prevented by the court below which said (page 5050) "but it is a fact that you have to show that this is Kaiser's experiment,

if you are going to say it is an experimental use.” This statement by the court reveals, of course, a serious misconception of the patent law since, as we have demonstrated above, the authorities make it clear that statutory bars in an art such as that relating to lined kilns cannot come into existence until successful field testing has been completed. The trial court’s misconception in this regard was undoubtedly encouraged in substantial part by the urgings of counsel for defendants, e.g., page 5047, where it was contended that sale of the *Kaiser brick* would constitute a statutory bar as to the lined kiln recited in the patent claims. Again, we have previously demonstrated that this is simply not the law.

The court then called counsel into chambers and at page 5056 trial counsel for appellant again explained that he was attempting to establish that the 1955 use at Southwestern was experimental. After counsel for defendants repeated his objections to this line of questioning, the court advised trial counsel for appellant as follows at page 5058:

“I am going to tell you what is going to be the result. The result is going to be that I have to sustain the objections to it on the ground it doesn’t meet any of the issues. I am willing to let you get it in if you do it in a hurry and get it over with.”

The result of the proceeding in chambers was that it was made clear to trial counsel for appellant that he could question Woodward only with regard to whether Southwestern was carrying out an experiment *for Kaiser* and that he would not be allowed to explore whether Southwestern was conducting an experiment of its own with the kiln having the short-shimmed brick lining.

Thus, at page 5064, Woodward was asked whether “this short-shimmed lining was to be an experiment on Kaiser’s part in connection with the Southwestern company?”. The witness answered:

“No, I wouldn’t say it was *that way*. We have always *tested* different—well, in the case of bricks, different types of bricks and other material which we used at the plant. We are always interested in a new idea or a new article.” (Emphasis added)

Thus, there was every indication that had trial counsel for appellant been allowed to explore this matter, he would have been successful in eliciting testimony from Woodward that he considered, as did Sauer regarding the Riverside 1955 use, the short-shimmed brick lining by Southwestern in 1955 to be experimental. We submit that the court’s refusal to allow appellant’s trial counsel to obtain such testimony from Mr. Woodward was reversible error.

Fortunately, Mr. Woodward was not the only source of evidence regarding the experimental nature of the 1955 use at Southwestern. Rather, it is once again the Kaiser documents which establish this. We have already noted Ex. 183/FZ which refers to the 1955 uses at both Riverside and Southwestern as “trials”. In Ex. 186/GA, a call report dated April 27, 1955 relating to a visit by Palmer Ford of Kaiser to Southwestern stated:

“They are watching our experimental lining with intense interest.”

Thus, there is no need to remand this case for the taking of further evidence as to whether the 1955 use by Southwestern was experimental since there is ample evidence, in no way controverted, to establish that this was the fact. That the experiment was being conducted by

Southwestern rather than Kaiser cannot elevate this experimental use to the stature of an invalidating public use. However, it would appear that the trial court did not understand this since, referring to the 1955 use at Southwestern, the court said at page 5056:

“But they bought them. Up to now the evidence shows that these guys are just as interested in experimenting as anybody else, and they are willing to take the risk. It may be that it is a pretty poor product that they would try to experiment with some time or another and lose the lining. On the other hand, they might find something good. So it is *their experiment*, and not the other fellow’s.”
(Emphasis added)

Thus, it would appear that the court recognized that Southwestern was conducting an experiment, but concluded that since Southwestern had “bought” the *bricks* which were being used in the experiment, the experiment still qualified as a statutory bar. At the risk of being redundant, we again point out that it is legally immaterial that Southwestern purchased the bricks from Kaiser since it is the lined kiln recited in the patent claims to which attention must be directed with regard to determining whether there was a statutory bar, not the bricks. Carried to its logical conclusion, the theory urged by defendants and accepted by the trial court that the sale of the bricks constituted a statutory bar as to the patented lined kiln would preclude any activity in which the materials being used had been purchased from being an experimental use under the patent law. One need only reflect that this would mean that all of the experiments being carried out in all of the industrial laboratories in this country with purchased chemicals, equipment, etc. could not be experimental uses to establish defendants’ theory as untenable. Yet, this is no

more absurd than the contention made by defendants that the sale of brick was a statutory bar as to a patented kiln which the court below was somehow persuaded was a proper application of the law.

In *Elizabeth v. American Nicholson Pavement Co.*, (1878) 97 U.S. 126, 24 L.Ed. 1000, it was established that a mere experimental use is not a public use which will invalidate a patent. In that case, the inventor, a stockholder and officer of a toll road corporation, had invented a road. In order to test the road for durability, the inventor built a section of his road in a Boston toll road operated by his corporation. The road was built in 1848 and publicly used for *six years* before a patent application was filed. The inventor frequently inspected the road to see how it was wearing. The Supreme Court held that in the case where the invention must be tested for a long time to determine its durability, such use is experimental and does not constitute a public use. The court explained the doctrine of experimental use at 24 L.Ed. 1004 (Appendix, Part 4)

We have thus demonstrated that the 1955 uses by Riverside and Southwestern were not statutory bars because they were experimental. Therefore, whether they were disclosed or not disclosed to the Patent Office is legally immaterial and there is no way these uses can be relied upon as basis for finding that fraud was practiced on the Patent Office. This being so, it is far easier to conclude that a finding of fraud could not be based on failure to disclose the experimental uses of Riverside and Southwestern to the Patent Office than it was to decide that there was no fraud in *Duff-Norton Co. v. Ratcliff*, (9 Cir. 1966) 362 F.2d 551, 553 where this Court said:

“In our judgment the prior art which the inventor is accused of failing to reveal is not so undis-

putably and obviously relevant as to disclose actual knowledge that the subject matter of the proposed patent was anticipated.”

Here, not only do the alleged public uses constitute experimental uses which are demonstrably not prior art, but were there any doubt in this regard, it would have to be resolved in favor of appellant since recognition of a public use involves a very elusive legal question which, as recognized in *Huszar v. Cincinnati Chemical Works*, (6 Cir. 1949) 172 F.2d 6, 11, “. . . is one that for many years has troubled the courts with no unanimity of decision thereon. . .”.

Furthermore, as also stated in *Huszar*, since it “is an established and salutary principle that fraud is never to be presumed but must be proved by clear and convincing evidence”, no fraud could possibly arise from failure to disclose the Riverside and Southwestern activities to the Patent Office. If this were not enough, appellant’s belief that these uses were experimental was, as we shall demonstrate in a subsequent section of this brief, in good faith and indeed appellant did in fact disclose the Southwestern 1955 use to the Patent Office for the purpose of urging the patentable nature of the invention. Were not the fraud finding by the court below of such a serious nature, we might pass over still another reason why the Riverside and Southwestern uses could not be statutory bars, but given the circumstances we are compelled to devote the following section of this brief to an explanation of why the patent claims in suit are entitled to an effective filing date earlier than those uses.

Even Were The Riverside And Southwestern Uses Not Experimental, They Could Not Be Statutory Bars Because The Patent Claims In Suit Are Entitled To Have Effective Filing Date Prior To The Dates Of These Uses.

The patent in suit is, of course, a continuation-in-part of copending application Serial No. 486,227, filed February 4, 1955. Thus, all subject matter disclosed and claimed in the patent which is common to that disclosed or claimed in the parent application is entitled to the filing date of the parent application pursuant to 35 USC 120.

The trial court (R. 3702) held that the patent claims in suit are based on new matter and are not entitled to the filing date of the parent application. The court's decision does not specify the new matter, but in Finding 102(a) and (c), the recitations directed to a kiln lining structure composed of bricks of "substantially uniform physical and chemical composition throughout" and to the "basic" nature of the brick are specified as new matter.

Turning now to the recitations in question, we will first consider "substantially uniform physical and chemical compositions throughout" which was used in the continuation-in-part application which issued as the patent in suit and "substantially uniform composition throughout" which was added by amendment in the parent application. Both of these limitations are directed to the brick used to make up the kiln lining. We submit first that in the absence of any indication to the contrary, the word "brick" is the conventional article which does have a substantially uniform physical and chemical composition throughout. There is nothing in the re-

cord to indicate that the word brick as used in the rotary kiln art has any different meaning and, with the partial exception of Heuer Patent 2,230,141, all of the prior art of record is concerned with kiln linings comprising homogeneous brick. Still further, the affidavit of the inventor filed in the parent application (Ex. 3/U, page 21) clearly states that the word "brick" meant to the inventor an article having a substantially uniform composition throughout and that he was not aware of the word ever having been used to designate any other type of structure. Thus, both common sense and the record establish that Finding 102(a) (R. 3737) and Finding 102 (b) (R. 3737) are clearly erroneous insofar as they characterize the language "substantially uniform physical and chemical composition throughout" to be subject matter "not common" in the parent and continuation-in-part applications and insofar as they attempt to characterize the language "substantially uniform composition throughout" added by amendment in the parent application on March 12, 1956 as "new matter".

With regard to the recitation "basic" we need only look as far as the court's own decision and one of appellees' findings which was adopted verbatim by the court to establish that it was inherent in the parent application that the brick referred to therein was "basic". Such brick was conventionally used in rotary kiln linings at the time the parent application was filed and the trial court so found (Finding No. 16, R. 3712).

The law has long recognized that amendment of a patent application to make explicit what was inherently implicit therein in no way involves the introduction of new matter, and that such amendments may be freely made and are entitled to the original effective filing date of the application. As stated in *Webster Loom Co. v.*

Higgins, (1882) 105 US 580, 26 L.ed. 1177, with regard to the function of a patent specification:

“He may begin at the point where his invention begins, and describe what he has made that is new, and what it replaces of the old. That which is common and well known is as if it were written out in the patent and delineated in the drawings.”

Given the specification in the parent application in the present case, we submit that there can be no doubt that one skilled in the art would immediately understand that the new feature described therein was constructing a brick kiln lining using a metal shim which did not extend to the kiln shell, i.e., a “short” shim. That which was common and well known would in like manner be understood by one skilled in the art to be that the bricks had a substantially uniform physical and chemical composition and would conventionally be basic.

That the rationale of *Higgins* has lost none of its vitality is clearly evident from the recent decision in *General Tire and Rubber Co. v. Brenner*, (D.C. Cir. 1967) 381 F.2d 270, a case strikingly similar to this one in which reliance upon a parent application was allowed to establish an effective filing date for an invention involving the use of an unplasticized rubber even though the word “unplasticized” did not appear in the parent application in view of the fact that such rubber was known to exist in the unplasticized state at the time the parent application was filed.

Indeed, it has not been so long since this Court considered this “new matter” question in *Locklin v. Switzer Bros., Inc.*, (9 Cir. 1961) 299 F.2d 160, 167 and concluded:

“The amendment actually amounted to no more than a *narrowing* of the claims to articulate a limitation

implicit in the specifications but *not explicit* in the claims themselves. The circumstances under which the amendment was filed would indicate that it resulted from the ordinary give and take of Patent Office procedures: the shaping of the expression of that which was sought in order to make it conform appropriately to that which it was felt could properly be granted.” (Emphasis added)

In the present case, the recitations directed to “uniform composition” and “basic” obviously narrow the claims to make explicit that which was previously implicit and come squarely within the holding in *Locklin*. Also, as in *Locklin*, it was the Examiner in the present case who suggested that the claims be limited to “basic” brick (Tr. 8797 and 11171) because the testing of the invention was limited to basic brick linings and it was the Examiner who suggested that the bricks further be identified as of uniform “physical and chemical” composition (Ex. 2/V, page 104).

The same reasoning has been applied to reissue patents which are subject to the statutory command of 35 USC 251 which provides, “No new matter shall be introduced into the application for reissue”. Fully aware of this statute, the court in *Weller Manufacturing Co. v. Wen Products, Inc.*, (7 Cir. 1956) 231 F.2d 795, 799 said:

“Obviously, a patentee is not forbidden to add as new material in a reissue patent a description of the inherent function and mode of operation disclosed in the original patent.”

We believe it highly unlikely that the foregoing discussion permits any doubt to remain as to the entitlements of appellant to rely upon the filing date of its parent application with regard to the recitations “substantially uniform physical and chemical composition

throughout” and “basic”, but any such doubt must be dispelled by the fact that, in the end, the Patent Office recognized that such reliance was proper even though it had earlier rejected the amendment in the parent application adding the language “of substantially uniform composition” as new matter. Since this rejection in the parent application was made *after* the continuation-in-part application had been filed, appellant did not pursue the issue in the parent application and, as was its right, elected to prosecute the continuation-in-part application in its stead. The new matter question was put directly in issue in the latter application when the Examiner rejected claims therein as unpatentable over Davis patent 2,829,877 (Ex. 2/V, page 113) and characterized the Davis patent as disclosing a kiln lined with brick which were “*physically and chemically homogeneous* and preferably of *basic* refractory” (emphasis added). In appellant’s responsive amendment filed May 26, 1958 (Ex. 2/V, page 134-145), it was pointed out that the Davis patent was filed on September 9, 1955 and that appellant’s application was a continuation-in-part of the parent application filed February 4, 1955. On this basis, appellant took the position that the Davis patent was not a proper reference because its filing date was subsequent to that of appellant’s parent application upon which appellant was entitled to rely. In the next Office Action, the Examiner stated that the Davis patent had been “withdrawn” (Ex. 2/V, page 200). Thus, on the one occasion when the Patent Office was called upon to make its own determination with regard to the question of whether the recitations referred to in Finding No. 102 (R. 3737) were “new matter” or “not common” to the parent application, it decided in favor of appellant. We submit that the Patent Office expertise with regard to such determinations cannot be lightly disregarded and

that this determination confirms our own analysis as set forth above. In this regard, we trust that defendants will not repeat in this Court the untenable contention which they made below (R. 975-978) that the election by appellant to prosecute the continuation-in-part application rather than the parent application caused *res judicata* to attach to the new matter rejection in the parent application. Such is not the law, *In re Hitchings*, (CCPA 1965) 342 F.2d 80, 83, wherein the court held that *res judicata* could only attach to "a final determination on appeal before the Patent Office Board of Appeals or a court". In the present case, the parent application did not even go as far as final rejection by the Examiner, much less to appeal to the Board of Appeals or a court.

The Patent Office Proceedings Involving The Halstead Affidavit Are Further Evidence That The Patent Office Considered The Patent Claims In Suit To Be Entitled To The Filing Date Of The Parent Application.

Late in the prosecution of appellant's continuation-in-part application, an affidavit by O. Halstead, Superintendent of the Southwestern Portland Cement Company plant at Victorville, California from a time prior to 1955, was submitted for the purpose of providing further evidence, although cumulative in nature in view of the Kaiser advertisements which had previously been submitted to the Patent Office, of the very favorable recognition accorded by the cement industry to the invention claimed in the application (Ex. 2/V, pages 337-339). This affidavit clearly states that on April 4, 1955 Southwestern received an initial order of short-shimmed brick from Kaiser and that Southwestern placed orders for such brick on June 11, 1955 with Harbison-Walker and

on July 22, 1955 with General Refractories Company. Thus, this affidavit explicitly advised the Patent Office of the very transactions which the court held to be “public uses” which were “concealed” from the Patent Office. It is of considerable interest that this affidavit is mentioned neither in the court’s memorandum of decision nor in the findings of fact proposed by appellees and adopted by the court even though trial counsel for appellant argued strenuously in his post-trial brief on the patent issues (R. 3148-3364) that this affidavit precluded any inference that appellant had concealed anything from the Patent Office regarding the activities of Southwestern (R. 3282).

In the proceedings below, defendants countered (R. 3452-53) with the rather remarkable contention that the Halstead affidavit was evidence of fraud because appellant had extra-cleverly submitted it at a stage in the Patent Office proceedings when it would not be considered by the Patent Office even though the Patent Office Board of Appeals in its decision dated more than a month later than the filing date of the Halstead affidavit stated that it had considered “*all of the affidavits and other evidence submitted by appellant*” (emphasis added) (Ex. 2/V, page 347).

Had the Patent Office been of the view that appellant was not entitled to rely upon the filing date of its parent application as the effective filing date of the patent claims here in suit, the Halstead affidavit would certainly have raised the question of whether the Southwestern activities were statutory bars since it is not clear from the affidavit that these activities constituted, as they did, an experimental use. Thus, the treatment of the Halstead affidavit by the Patent Office is further strong corroboration of the fact that the withdrawal by the Patent Office

of the Davis patent as a reference was a recognition that the patent claims in suit were entitled to the filing date of the parent application.

Even If 1955 Use By Riverside Was A Statutory Bar, Failure To Disclose It Could Not Involve Fraud Because Appellant Held A Good Faith Belief That Such Use Was Experimental And That Effective Filing Date Of Patent Claims In Suit Was Earlier Than This Use.

Once again, we are constrained to point out that it is because fraud is such a serious charge that we have no alternative but to vigorously attack every mistaken premise and conclusion involved in the fraud finding herein. Thus, even though we have already established that the Riverside and Southwestern uses were not statutory bars and that the Southwestern use was disclosed to the Patent Office in the Halstead affidavit, we will now assume *arguendo* that these uses do qualify as such bars and will demonstrate that the requirements for proving that appellant practiced fraud on the Patent Office by not disclosing to it the Riverside use have not been met. In order for there to be fraud, not only would the Riverside use have to be a statutory bar different in kind from the Southwestern use, but so also would it have to be established that (1) appellant did not have a good faith belief that (a) the Riverside use was experimental, (b) the Riverside use was not different in kind from the Southwestern use and (c) it was entitled to rely upon the filing date of its parent application; (2) that appellant deliberately concealed such use from the Patent Office; (3) that such concealment was for the purpose of inducing the Patent Office to grant the patent in suit; and (4) that had the use been disclosed to the Patent

Office, it would not have granted the patent. Should it be concluded that the defendants did not meet the very heavy burden of proof imposed by law on he who attempts to establish fraud with regard to *each* of these elements, there can be no finding of fraud.

However, before we demonstrate that defendants did not meet the burden of proof required to establish fraud, we will point out that it is not even necessary to reach the burden of proof question to dispose of the fraud question found by the trial court to be involved in the purported concealment of statutory bars from the Patent Office. Such disposition requires only consideration of the legal effect of the Halstead affidavit which is necessarily such as to preclude any finding of fraud.

The Legal Effect Of The Halstead Affidavit

We have previously demonstrated that the record establishes beyond any question or doubt that the Halstead affidavit constitutes a disclosure by appellant to the Patent Office of the 1955 activities of Southwestern and that there is nothing in the court's Memorandum of Decision or the findings of fact proposed by defendants and adopted by the court to the contrary. It is also clear from the court's Memorandum of Decision (R. 3702) and the findings of fact, e.g., Finding No. 59 (R. 3723) that neither defendants nor the court made any distinction whatsoever as between the 1955 use at Riverside and the 1955 use at Southwestern.

Thus, it is undisputed in the record that the Riverside use which was not disclosed to the Patent Office was no different from the Southwestern use which was undeniably disclosed to the Patent Office.

Accordingly, appellant is in no different position here than was the patentee in *Sarkes Tarzian, Inc. v. Philco Corp.*, (7 Cir. 1965) 351 F.2d 557, 560 where the court said:

“The District Court implied plaintiff had violated a duty to disclose certain prior art to the Patent Office during the prosecution of the patent application. We think, under the facts of this case, plaintiff should not be penalized for failure to disclose ‘prior art’ items to the Patent Office when, . . . it is apparent that none of them was more pertinent than the prior art which was known to the Patent Office.”

To hold that there can be no fraud when that which is not disclosed to the Patent Office is no different from that which is disclosed to the Patent Office is but a common sense recognition of the legal requirement for a showing of materiality before there can be a finding of fraud. Stated differently, it simply cannot be said that the Patent Office would have acted any differently on appellant's patent application had both the Southwestern and Riverside uses been before it, rather than just the Southwestern use, keeping in mind that these uses were the same insofar as they tended to raise the question of whether a statutory bar existed.

Were we concerned here with a matter less serious than a charge of fraud, we would be content to rest our case on the foregoing analysis of the facts and law. However, we will now turn to a discussion of the burden of proof required to establish fraud, the utter failure of defendant's evidence to meet this burden and the substantial evidence of appellant's good faith belief that the 1955 uses at Riverside and Southwestern were (1) experimental and (2) later than the effective filing date of the

patent claims in suit so as to preclude such uses from being statutory bars.

The Burden Of Proof Required To Establish Fraud

This Court gave clear recognition to the principle that a very heavy burden of proof must be met to establish fraud in *Canada Life Assurance Co. v. Houston*, (9 Cir. 1957) 241 F.2d 523, 538 when it acknowledged:

“The presumption is always against fraud, a presumption approximating in strength to that of innocence of crime, * * *.”

The burden is no different when fraud is charged in a patent case as recognized in *Huszar v. Cincinnati Chemical Works*, (6 Cir. 1949) 172 F.2d 6, 11 where the court said:

“It is an established and salutary principle that fraud is never to be presumed but must be proved by clear and convincing evidence.”

The United States Supreme Court has had occasion to consider this question and in the often cited decision in *Corona Cord Tire Co. v. Dovan Chemical Corp.*, (1928) 276 US 358, 72 L.ed. 610, held that evidence which leaves the proof of fraud in doubt may not properly be a basis for finding fraud. To the same effect are *Baldwin-Lima-Hamilton Corp. v. Tatnall Measuring Systems Co.*, (E.D. Pa. 1958) 169 F.Supp. 1, affirmed (3 Cir. 1959) 268 F.2d 395; *Edward Valves, Inc. v. Cameron Iron Works, Inc.*, (5 Cir. 1961) 286 F.2d 933 and *Armour and Company v. Wilson and Company*, (7 Cir. 1960) 274 F.2d 143.

It is equally well settled that good faith is a complete defense to any charge of fraud. This was recognized

in *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, (1965) 382 US 172, 15 L.ed.2d 247, 251, where the court said:

“By the same token, Food Machinery’s good faith would furnish a complete defense. This includes an honest mistake as to the effect of prior installation upon patentability—so-called ‘technical fraud’”.

Furthermore, the close relationship between the principles relating to malicious prosecution and to findings of “exceptional” cases under 35 USC 285 was pointed out by the court in *Hoge Warren Zimmerman Co. v. Nourse and Co.*, (6 Cir. 1961) 293 F.2d 779, 784, with such penetrating insight that we include a quotation of some length from that decision in the Appendix, Part 5.

Appellant’s Good Faith In Believing That The Riverside And Southwestern Uses Were Experimental And In Believing That The Effective Filing Date Of The Patent Claims Was Earlier Than These Uses Cannot Be Denied.

First, it would hardly appear necessary after all of the foregoing discussion to point out that the questions of whether the 1955 use of Riverside was a statutory bar and of whether the patent claims in suit were entitled to the filing date of the parent application involved highly complex issues of law and fact. Indeed, the complex nature of such questions is clearly acknowledged in *Huszar v. Cincinnati Chemical Works*, (6 Cir. 1949) 172 F.2d 6 and *Engineering and Development Laboratories v. Radio Corporation of America*, (2 Cir. 1946) 153 F.2d 523, respectively. Thus to the extent that the record reflects a certain amount of uncertainty on the part of appellant’s employees with regard to these questions, such uncertainty is entirely understandable and

lacking in the illegal motives which defendants so skillfully urged upon the trial court.

Once again, the Halstead affidavit (Ex. 2/V, pages 337-339) alone would appear to so irrefutably establish appellant's good faith as to make further comment unnecessary. If concealment was appellant's purpose, it is inconceivable that it would make a clear and unequivocal disclosure of that which it is charged with concealing. As held in *United States v. Cold Metal Process Co.*, (6 Cir. 1947) 164 F.2d 754, he who has made full disclosure to the Patent Office of the facts, even later in the prosecution of a patent application than in the present case, cannot be later charged with fraud predicated upon the concealment of those facts.

Further indication that the litigable nature of these questions was such that appellant was entitled to believe in good faith that it would prevail on them may be found in the fact that the Riverside use and the Southwestern use were before the trial court in defendants' motion for summary judgment which motion was denied (R. 1103) because:

"An issue is presented as to whether the sale of UNITAB bricks by Kaiser Aluminum to Riverside Cement Co. and their subsequent use by Riverside Cement Co. constitutes a sale and public use *or an experimental use*. . . .

"*The application of the term 'basic bricks' (of substantial identical composition) as distinguished from 'bricks' to the issue of what matter, if any, was carried over from the original application is a mixed question of law and fact.*" (Emphasis added)

Our review of the record has revealed no evidence not placed before the court during the summary judg-

ment proceedings which could possibly be relied upon as being in any way significant, much less capable of meeting the burden of proof required to establish that appellant or any of its employees knew at the time the patent application, which issued as the patent in suit, was being prosecuted, or at any time thereafter, that the Riverside use or the Southwestern use was a statutory bar. Indeed, as we have explained at some length above, we believe and ask this Court to rule that the Riverside and Southwestern uses in 1955 were not statutory bars.

All else failing, we submit that the law requires a reversal of the lower court holding that purported statutory bars were fraudulently concealed from the Patent Office because appellant's good faith in believing that those uses were not statutory bars has been established and constitutes a complete defense. *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, (1965) 382 US 172, 15 L.ed.2d 247.

THE PETITION TO MAKE SPECIAL FILED IN APPELLANT'S PATENT APPLICATION IN- VOLVED NO FRAUD ON THE PATENT OFFICE

Findings 103-110 (R. 3740-3743) which, with the exception of a single term in Finding 107 (R. 3742), were adopted verbatim by the court appear to set forth two factors upon which the court based its holding that the petition to make special involved fraud. These factors are as follows:

1. The petition to make special involved a further concealment of the purported statutory bars arising from the 1955 uses by Southwestern and Riverside.

2. The petition to make special and the documents filed therewith purportedly misrepresented to the Patent Office that the Kaiser short-shimmed brick was

an outgrowth of negotiations between appellant and Kaiser.

As to the first of these, we have exhaustively discussed in the preceding sections of this brief the reasons why appellant cannot be accused of any fraud relating to the Riverside and Southwestern uses. Thus, it suffices to say here that, for the same reasons, there was no fraudulent concealment of statutory bars from the Patent Office in the petition to make special.

With regard to the purported misrepresentations to the Patent Office relating to the adoption and use by Kaiser of appellant's disclosure regarding short-shimmed kiln linings, we will now point out that the court's finding in this regard can be disposed of on the ground of immateriality alone.

There is no suggestion in either its memorandum of decision or the findings which it adopted that the trial court in any way considered the patent claims in suit not to cover the Anderson invention. These claims which covered the Anderson invention were also held by the court below to be infringed by Kaiser (R. 3707 and Finding of Fact No. 131, R. 3753). Thus, the only meaningful representation made in the petition to make special, that the Kaiser UNITAB product would involve infringement if a patent were granted, was found to be true, and it is utterly immaterial whether Kaiser's infringement resulted from appellant's disclosure or from another source.

In this regard, it must be kept in mind that the sole purpose of a petition to make special is to accelerate the prosecution of a patent application; the petition can in no way be considered to go to the merits of whether a patent should be granted. Stated differently, a petition to make special involves only the question of when a pat-

ent will issue, not whether it will issue. Thus, even if the petition was a collection of bold lies, it could not be made the basis of a finding of fraud because it could not be shown that but for the lies the patent would not have issued, i.e., the lies would not be material. As the Supreme Court said in *Corona Cord Tire Co. v. Dovan Chemical Corp.*, (1928) 276 US 358, 72 L.ed. 610:

“Hence the affidavits, though perhaps reckless, were not the basis for it or essentially material to its issue. The reasonable presumption of validity furnished by the grant of the patent therefor would not seem to be destroyed.”

Just recently, this principle was applied in *Corning Glass Works v. Anchor Hocking Glass Corp.*, (D. Del. 1966) 253 F.Supp.461, affirmed on this point (3 Cir. 1967) 374 F.2d 473. In *Corning*, the District Court said at 253 F.Supp. 469:*

In the present case, the representations in the petition to make special were by no means a collection of lies, but rather comprised a representation of potential infringement which was ultimately decided in appellant's favor by the trial court and a representation that the Kaiser UNITAB product derived from appellant's disclosure to Kaiser, the *bona fides* of which is dramatically attested to by the history of this lengthy and expensive litigation in which appellant has, albeit unsuccessfully thus far, made a determined effort to recover from Kaiser compensation for what it considers in good faith an unauthorized use of its confidential disclosure. Certainly, it cannot be said that one who has pursued

*“Not only must the defendant establish that an intentional misrepresentation was made to the patent examiner, but also defendant must show that the misrepresentation was material, i.e., that the patent would not have issued but for the fraud.”

his rights as vigorously as has appellant pursued its confidential disclosure case herein has demonstrated any lack of faith in the merits thereof.

Thus, we submit that Findings 106-110 (R. 3742-3743) cannot be considered material to the issue of fraud and that, if material, they would be clearly erroneous in view of appellant's firmly held good faith belief that Kaiser did indeed make wrongful use of information received from appellant to enable it to manufacture its UNITAB product. Were any further support needed for appellant's position in this regard, we need only point to the fact that the UNITAB article was held to infringe appellant's patent thereby establishing that appellant had "probable cause" for its belief that Kaiser made the appropriation complained of.

THE "UNEXPECTED RESULTS" ASPECT OF THE FRAUD ISSUE

The District Court held, in substance, that several "unexpected results" affidavits filed in the United States Patent Office were consciously false and misleading in that they deliberately misrepresented and concealed material facts and circumstances. There was a series of three affidavits executed by Rentsch (see Ex. 2/V, pp. 86-89, pp. 158-160, and pp. 162-173); setting forth Rentsch's opinion of an unexpected increase in production and in lining life with a kiln constructed predominantly in accordance with the teachings of the Anderson patent application (Ex. 2/V). In essence, the affidavits set forth (1) his opinion that there was an improved result, and (2) his opinion based on calculations that there was an unexpected increase in production thirty times or more greater (i.e., ninety or more barrels per

day) than the three barrels per day which would have been expected on the basis of calculated heat loss reduction (p. 172). For the convenience of the Court, these affidavits are reproduced in Part 6 of the Appendix to this brief.

Although the District Court concluded that there were misrepresentations as to unexpected results (Memo of Decision, p. 147, R. 3706), apparently the determination was limited solely to the allegations with respect to increase in production since both the Decision and Findings of Fact bearing on this element of the fraud issue are directed to a discussion of production (Memo of Decision, pp. 81-86, R. 3640-45; p. 146, R. 3705; Findings of Fact Nos. 111-113 and 126, R. 3743-45; 3752). The District Court did not affirmatively find that the increase in lining life set forth in the affidavits was a material misrepresentation.

We shall demonstrate that the evidence of record clearly establishes that there were in fact unexpected results, shown even by the evidence heavily relied upon below by appellees and shall demonstrate that there is no positive evidence that Rentsch believed the unexpected results as stated in his affidavits to be other than true.

We must stress that the District Court concluded (Memo of Decision, p. 113, R. 3672), albeit with respect to the confidential information issue, that appellant "failed to establish by a preponderance of the evidence that the increase in production or the increase in lining life claimed for the Laramie experience was attributable to the short shims used." We believe this conclusion found its way into the fraud issue. Although appellees bear the burden of establishing fraud, this conclusion is a strong indication that the trial court held the erroneous belief that this burden was to be borne by the appellant.

Furthermore, the court did find (Finding of Fact No. 45, R. 3719) that there was an increase in production in the Laramie experiment of nineteen barrels per day attributable to the shims. We submit that this increase, while less than that believed by Rentsch to have occurred, is clearly unexpected since the expected production increase was the three barrels per day testified to by appellees own expert Mr. Lyons (Tr. 11714). Still further, Kaiser advertisements asserted an increase in kiln efficiency to result from spaced shims (Ex. 73).

Much of the evidence upon which the District Court relied (apart from its disbelief of the testimony of Appellant's employees) are documentary exhibits. As this Court well knows, findings of fact based on non-oral evidence are not binding and are given but slight weight on appeal. *Equitable Life Assur. Soc. of U.S. v. Irelan*, (9 Cir. 1941) 123 F.2d 462; *Smith v. Royal Insurance Co.*, (9 Cir. 1942) 125 F.2d 222; *Pacific Portland Cement Co. v. Food Machinery & Chemical Corp.*, (9 Cir. 1949) 178 F.2d 541; *Stork Restaurant, Inc. v. Sahati*, (9 Cir. 1948) 166 F.2d 348; and *Kwikset Locks Inc. v. Hillgren*, (9 Cir. 1954) 210 F.2d 483, cert. den. (1954) 347 US 989, 74 S.Ct. 852, 98 L.ed. 1123.

When the District Court's Memo of Decision and Findings of Fact, and the documentary and oral testimony are carefully considered, it becomes apparent that the District Court's determination with respect to this issue was based principally upon its disbelief of the testimony of appellant's employees, particularly Rentsch, that they believed the representations made to the Patent Office regarding unexpected results to be entirely valid and accurate (Memo of Decision, pp. 126-128, R. 3685-87, see also Finding No. 130, R. 3753), as well as its conclusion that appellant did not during trial satisfy the district court that there was a substantial increase in produc-

tion attributable solely to a short shimmed kiln lining. However, we must stress that the court's general statement of disbelief of Rentsch's testimony that he made no knowing misrepresentation is not legally sufficient to establish that Rentsch believed that there was no significant increase in production. Disbelief of a witness is not proof that the opposite of his testimony is fact. *Moore v. Chesapeake & Ohio Railway Company*, (1951) 340 US 573, 95 L.ed. 547. We are well aware of the oft-quoted statement of Judge Learned Hand that the demeanor of a witness ". . . may satisfy the tribunal, not only that the witness' testimony is not true, but that the truth is the opposite of his story. . ." *Dyer v. MacDougall*, (2 Cir. 1952) 201 F.2d 265, at p. 269. However, Judge Hand made it clear that the "demeanor" evidence is only a part of the evidence to be considered and is "by no means all that we rely on in making up our minds about the truth of a question. . . ." He carefully stressed that, while it was true "in strict theory" that a party having the burden of proof might succeed in spite of the fact that all witnesses denied the truth of his position,

" . . . [A Judge] who has seen and heard of 'demeanor' evidence, may have been right or wrong in thinking that it gave rational support to a verdict; yet, since that evidence has disappeared, it will be impossible for an appellate court to say which he was. Thus, he would become the final arbiter in all cases where the evidence of witnesses present in court might be determinative."

We are confident that upon a review of the evidence, this Court will agree that Appellees have not met their burden of proof since there is no positive evidence of knowing misrepresentation.

The first (Ex. 2/V, pp. 86-89) of the affidavits in question described three types of kiln linings which had

been installed and the results from their use; Type A using alumina bricks without shims, Type B using basic brick with full shims, and Type C using basic brick and shims supported on the brick and spaced away from the kiln shell. The Patent Office Board of Appeals in discussing increase in production in its decision (Ex. 2/V, pp. 340-353) did not consider Rentsch's comparison between the full and short shimmed kiln linings (Types B and C) to be a meaningful comparison (p. 345) because in the short shimmed lining (Type C) the shims extended across joints between bricks. The Board of Appeals further noted (p. 345) that Rentsch's estimates of lining life were mere conclusions, with no factual information submitted to provide a basis for them. The Board of Appeals also commented on the third affidavit (Ex. 2/V, p. 345), and noted that Rentsch stated that the actual increase in production was more than thirty times as much as the expected increase of three barrels of cement per day. The Board then went on to review (pp. 345-346) Kaiser's advertising literature regarding its short shimmed brick which appeared on the back covers of two magazines one of which in October, 1958 (Ex. 2/V, p. 247) stated that a half-inch gap between the end of the shim and the shell acts as a heat buffer to reduce shell temperature for greater kiln efficiency, i.e., increased production, and the other of which in June 1958 (Ex. 2/V, p. 248) reported on substantially increased lining life. The Board recognized that the patent application claims in issue read on kilns lined with the Kaiser short shimmed brick, and it was the Board's opinion that the reported increase in lining life also should be a benefit of the claimed lining construction (note pp. 346-347). True, the Board was influenced by the showing of increased production and increased lining life, but the statement of its decision indicates that it concluded that the Rentsch affidavits had not made a meaningful comparison be-

tween two kiln linings and that it was the Kaiser advertisement which convinced the Board in this regard. Furthermore, it is clear from the Board's decision (Ex. 2/V, pp. 340-353) that their reversal of the Examiner and allowance of the claims in issue below was predicated upon several grounds, including the foregoing and its conclusion that two patents (Longacre and Griffith) which had been relied upon by the Examiner did not teach the Anderson invention (note pp. 342-344 and 346-347). Clearly, the Board did not solely rely upon a representation of an unexpected and surprising increase in *production* as the District Court appeared to conclude (Memo of Decision, p. 146, R. 3705; Finding of Fact No. 126, R. 3752). Thus, even if Rentsch had made a misrepresentation, it would not have been material to the issuance of the Anderson patent.

More important is Rentsch's belief in unexpected results asserted to the Patent Office. In this regard, the testimony of several Monolith employees shows that they had the opinion that a production increase of approximately 100 barrels per day was attributable to the spaced shim lining (Tr. 5223; Tr. 8526; Tr. 1823; Tr. 1973; Tr. 11466-11467; see also Ex. 1062, p. 1). There is no affirmative evidence that Rentsch was not sincere in his acceptance of this opinion, and in his opinion of unexpected results. Rentsch's affidavits identified him as a Monolith employee, and the improved results were stated as opinions. Monolith's records establish a substantial increase in production and indeed the Monolith documents upon which Appellees and the court below so heavily relied indicate at least a 19 barrel per day increase in production attributable to the spaced shim lining referred to in Rentsch's affidavits (see kiln production charts from Ex. 551; Ex. 679/FA, JY and AU). Even a 19 barrel per day increase represents a substantial and unexpected increase over the maximum

three barrel per day improvement to be expected as calculated by Appellees' own expert witness (Tr. 11714), which is in accord with the expected result calculated by Rentsch as set forth in his third affidavit (Ex. 2/V, p. 172). For the convenience of this Court, we have set forth in Part 7 of the Appendix a more extensive review of the evidence bearing on this aspect of the fraud issue.

There were differences other than shim length between the kiln having the short shimmed lining and those with which it was compared. Accordingly, Rentsch stated in his first affidavit that these differences existed and might affect the rate of production to a minor extent. In this regard, the court below merely concluded that the increase in production could not be attributed "solely" to the short shims (Memo of Decision, p. 86, R. 3645). The evidence is conflicting as to the precise effect on production as a result of each of the changes made in the kilns, but there is absolutely no positive evidence showing that Rentsch believed differently than as stated in his affidavits. Kaiser contended through the testimony of its employee, M. L. Mayberry, and a chart (Ex. G) prepared by him, that there was no increase in production (Tr. 11596) resulting from the January, 1954 installation of the short-shimmed lining in the Laramie kiln. The chart (Ex. G) is a graph illustrating production in average barrels of cement clinker per day from the Laramie kiln for each month from the beginning of 1953 to the end of 1956, and is based on simple averages (Tr. 11614). The chart as prepared illustrates a decrease in production immediately following the installation of the short-shimmed lining. However, Mayberry did not take into account deliberate "slow-downs" and "stoppages" in the operation of the kiln having no relation to the construction of the lining

itself, thereby resulting in apparent reduced average daily production on several occasions in the early months of 1954 (Tr. 11613). Rentsch had earlier testified at trial and explained that on a long term basis (Tr. 11154) slow-downs would have a relatively insignificant effect on average production figures (Tr. 11154-11155); whereas, if short periods of time are considered, inclusion of such slow-downs would render the averages erroneous and unrepresentative (Tr. 11154). This is, of course, inevitable because if abnormally low daily production figures are averaged with conventional daily figures over a short period of time, such as a month, the resulting average will be far out of proportion to actual operation so as to preclude a meaningful picture of normal operation. For example, in February, 1954 there were over ten days in which the kiln was run slowly during a 24 hour period resulting in reduced production for each such day and thus for the month (see Ex. 551). There was also a very significant effect on production in April 1954, because of the kiln being run slowly.

The court below appeared to recognize (Tr. 11613-11614) that operational conditions (e.g., kiln slowed down, kiln stopped, and so forth) were not taken into account in developing Ex. G. However, defendants' expert Lyons relied on this chart in contending that the changes other than lining structure were the major cause of increased production, but this testimony was based on assumption rather than any effort to determine the individual effect of each such change or of the lining structure (Tr. 11818), and he conceded that he had a negative attitude concerning the effect of the use of a short shimmed lining (Tr. 11822-11823). And even Lyons agreed that Ex. G. was a "simple minded" chart (Tr. 11800).

Clearly, the probative value of this chart is minimal because serious short term errors are introduced as a result of kiln slow downs and stoppages. We would not belabor this discussion of Ex. G were it not for the appearance that the District Court relied heavily upon this exhibit (Memo. of Decision, pp. 81-84, R. 3640-3643) to support its conclusion that production dropped in the first few months of 1954. A review of actual production records (see Ex. 551) of the type from which Ex. G was prepared establishes that there was an immediate apparent increase in production when the kiln was operating normally in the early months of 1954. Taking the record (kiln production charts from Ex. 551) for February 1954, for example, and omitting from consideration those days in which the kiln was run slowly as indicated on the record, it is found that the average daily production (computed as suggested by Mayberry [Tr. 11605-11606]) is 2600 barrels per day. This is an increase of more than one hundred barrels over the average monthly production in the last few months of 1953 (taken from Ex. G or computed the same way).

Furthermore, appellees have not met their burden of proof even as to materiality (Findings Nos. 126 and 128) as is clearly indicated by Finding of Fact No. 128 (R. 3752) which states in substance that if the truth of any of the matters set forth in the fraud findings had been known to the Board of Appeals, "it is reasonable to believe" that the Board would have affirmed the Examiner and the claims in suit would not have been issued. The Board's own statement of its decision renders the validity of this finding very doubtful, but in any event at least clear and convincing evidence that the Board would have affirmed is required by law for proving fraud; a reasonable belief is not enough.

In summary, the lack of positive evidence, much less clear and convincing evidence, that appellant made knowing misrepresentations to the Patent Office or that the representations made relating to unexpected results were material to the issuance of the patent in suit is such as to render clearly erroneous the trial court's reliance on these representations as basis for a finding of fraud.

THE WICKEN AFFIDAVIT ASPECT OF THE FRAUD ISSUE

With respect to this aspect of the fraud issue, the District Court's Memo of Decision (p. 147, R. 3706) is silent as to the basis for its conclusion that the affidavit of O. M. Wicken included false statements of novelty. Findings of Fact Nos. 114-120 and 127 (R. 3745-50; 3752) were subsequently adopted and state in substance that the Wicken affidavit filed in the Patent Office was grossly false and misleading in many respects. They also state that insertions and deletions were made in the affidavit, and because of false statements made by Rentsch to Wicken the latter was induced to sign the affidavit without carefully reading the same. This affidavit (Ex. 2/V, pp. 213-216) essentially alleged that deliberately spacing the metal shims from the shell of a rotary kiln was novel as of early 1955.

It was shown at the time of deposing Mr. Wicken in 1963 that he apparently had some knowledge of the use of spaced shims prior to early 1955 in magnesite, dolomite and lime recovery rotary kilns. In light of this, it was found (Finding of Fact No. 117, R. 3746) that allegations in the Wicken affidavit were false. Although his affidavit referred to cement kilns, it also referred at the same time to other related kilns and in this respect, and only in this respect, can his averment of novelty be questioned. Considering this affidavit in the context of

the Patent Office Board of Appeals Decision, which is replete with references to “cement” kilns, it is apparent that to the extent the Board may have given any weight (and this was not established) to the affidavit it could only have been in the context of “cement” kilns. There has been no affirmative showing that Wicken did not believe in the novelty of the concept of deliberate spacing shims in cement kiln linings in early 1955, nor was there any showing that Monolith did not believe in the novelty thereof.

Additionally, because an earlier affidavit (Ex. OX; not filed in the Patent Office) by Wicken was revised in order to obtain the most forceful affidavit consistent with Rentsch’s firm belief of novelty, it was found (Findings of Fact Nos. 118-119, R. 3749) that Wicken was misled and rushed into executing the revised affidavit which ultimately was filed in the Patent Office. However, Wicken stated, as we will discuss later, that he carefully reviewed the affidavit which was filed.

With the exception of Rentsch’s testimony practically all of the evidence bearing on this aspect of the fraud issue is in the form of deposition testimony entered into the trial transcript. Wicken’s testimony is in this form. The findings thus were based almost entirely on the District Court’s disbelief of Rentsch and on deposition testimony. Again, we must stress that the disbelief of Rentsch does not establish a contrary fact and that findings based on non-oral evidence are to be accorded but slight weight on appeal.

Wicken was an employee of Harbison-Walker Refractories Company and not an employee of Monolith. We recognize that this Court has hinted that a patent applicant may have to bear the burden of another’s fraud in some situations. *Dubil v. Rayford Camp and Co.*, (9

Cir. 1950) 184 F.2d 899. However, this cannot be done by building upon a first inference of inaccuracy a further inference of knowing misrepresentation. *Tucker v. Traylor Engineering and Manufacturing Co.*, (10 Cir. 1931) 48 F.2d 783. We submit that an inference that Rentsch knowingly committed a wrong with respect to the Wicken affidavit and that the Patent Office was in fact misled by this affidavit, cannot properly be drawn from an inference that Wicken's statements of novelty in his 1958 affidavit may have misled the Patent Office. The evidence must be at least clear and convincing, and we submit that the evidence is fatally defective with respect to knowledge on the part of Rentsch and as to materiality, and we firmly believe that Appellees have not met their burden of proof.

Turning to the events surrounding the filing of the Wicken affidavit, Rentsch testified that O'Brien and Mathis, patent counsel for Monolith, suggested it would be worthwhile to have affidavits as to the state of the art, and thought this grew out of comments from the Patent Examiner (Tr. 11205; Tr. 11207). An affidavit by Williams of Monolith was filed (Ex. 2/V, p. 146-149) commenting on the non-pertinency of Longacre Patent No. 2,230,142 and Griffith Patent No. 2,192,642, and stating his opinion as to the novelty of short shimmed kiln lining. Subsequently, it was learned that Freeman of Harbison-Walker apparently was of the same conviction as Williams and might be willing to sign a similar affidavit (Tr. 11218-219). A proposed draft was forwarded for Freeman's consideration (Ex. OH, see also Ex. OK). He forwarded the affidavit to Moore of Harbison-Walker (Ex. OL and OM), and Moore responded (Ex. OO) stating that Wicken could prepare a "forceful declaration" for Monolith. Subsequently, Moore sent an "initial" affidavit executed by Wicken (Ex.

1219/OX), and indicated that a revised or modified affidavit could be provided if desired. The affidavit was mailed to patent counsel Mathis in Washington (Ex. PA), but Mathis wrote to Rentsch suggesting some consideration be given to possible changes in the language (Ex. PC). Wicken and Rentsch conferred by telephone (see Exhibit PD), and Wicken signed a revised affidavit. These two affidavits are referred to herein as the "initial" affidavit and the "revised" or "filed" affidavit. For the convenience of this Court the entire contents of both affidavits are set forth side by side in Part 8 of the Appendix.

In his cover letter (Ex. PD) forwarding the revised affidavit to Wicken, Rentsch noted that they were pressed for time (this was because the patent application was under a special status as a result of granting the Petition to Make Special) and stated, "The affidavit has been revised to conform to Patent Office form and certain other paragraphs have been paraphrased over the original affidavit as I explained over the telephone." Wicken mailed the revised affidavit to Mathis (Ex. PH) noting that the same was a virtual copy of his earlier affidavit. The revised affidavit (Ex. 2/V, pp. 213-216) was filed in the Patent Office.

There was a significant change to comply with Patent Office form. As is apparent on the face of the "initial" affidavit (Ex. OX) the same did not include the usual Patent Office heading identifying the Serial Number, filing date, etc. of the Anderson patent application. Apparently, the principal paragraphs of these two affidavits with which the court below was concerned were paragraphs 5, 8 and 9 of the "initial" affidavit and similar paragraphs 4, 7 and 8 of the "filed" affidavit. It must be borne in mind that both of these affidavits were directed to a discussion of the teachings of the Longacre

and Griffith patents which the patent Examiner had relied upon in rejecting claims in the Anderson patent application. Irrespective of differences in wording, both affidavits acknowledged the merit of Anderson's invention over the prior art.

Considering now the evidence pertaining to these affidavits, there is a conflict in the testimony as to precisely what was the verbal exchange between Rentsch and Wicken when discussing changes in the final affidavit. However, Rentsch's letter to Wicken (Ex. PD) noted that revisions as to form had been made and that paragraphs had been paraphrased. Wicken testified that he read through both of these affidavits and thought the second one was a virtual copy of the first (Tr. 11993), but stated he was probably anticipating that the affidavit was pretty much the same as the first (Tr. 11993-994). Wicken acknowledged that Rentsch did not say the second affidavit was a virtual copy of the first (Tr. 12009), and Wicken also stated that he "paid pretty close attention to the whole document", i.e., the revised affidavit (Tr. 11994). He testified that he never knowingly signed something he believed not to be true as far as he knew (Tr. 12400-401).

With respect to Wicken's prior knowledge of spaced shims, he stated that he knew such had been proposed for exceptional installations (Tr. 12000) but did not know of specific installations in which shims had been withdrawn from the kiln shell an appreciable distance (Tr. 12000). After reviewing a memorandum (Ex. CG, Wicken Deposition Ex. B) at his deposition in 1963 referring to the use of short shims (in a magnesite kiln), he acknowledged that he did not remember the same when he signed his affidavit (Tr. 12001-002). This memorandum was a 1948 internal memorandum of Harbison-Walker. No specific installation was identified in the memo-

randum, nor was it clearly shown that it referred to a specific non-secret use. To the best of Wicken's knowledge Monolith was not apprised of any prior Harbison-Walker practices with regard to spaced shims at Cape May, New Jersey (magnesite and dolomite kilns) or at Saltville, Virginia (lime recovery kilns) (Tr. 12401-402). Thus, whether or not Wicken had knowledge of particular installations of short shims in kilns other than cement kilns, there is no evidence that any such knowledge was communicated by him to Rentsch. For the convenience of the Court, we have set forth in Part 9 of the Appendix a more comprehensive discussion of the testimony of Rentsch and Wicken concerning these affidavits.

Defendants also attempted to establish that Harbison-Walker hoped to obtain brick orders from Monolith in exchange for executing the Wicken affidavit. However, Freeman testified that neither Williams nor Potter of Monolith ever said or implied that a brick order might be exchanged for cooperation with regard to the patent application (Tr. 12474). Rentsch stated that he knew of no basis upon which Wicken might expect some business from Monolith in return for supplying an affidavit (Tr. 11243). Thus, there is no affirmative evidence showing any offer by Monolith of brick orders to Wicken or to Harbison-Walker.

We further submit that the "filed" affidavit was not material to the issuance of the patent. It is apparent that the Patent Examiner gave no weight to this affidavit (Ex. 2/V, p. 224 and p. 317). The Patent Office Board of Appeals in its Decision (Ex. 2/V, pp. 340-353) made no specific reference to the Wicken affidavit, although it did note that all of the affidavits submitted had been considered (p. 347) after it had concluded (Ex. 2/V, p. 343) that the Longacre and Griffith patents did not teach or make obvious the claimed invention. It must

be remembered that this affidavit commented that the Longacre and Griffith patents did not show the concept of providing a rotary kiln lining using shims deliberately spaced from the shell of a rotary kiln. This is particularly significant when considering the context of the Decision of the Board of Appeals. It is readily apparent that even though the principal claims in issue before the Board of Appeals did not specifically refer to a rotary "cement" kiln, the Board in its determination of novelty implicitly considered the claims to relate to a cement kiln since throughout its Decision (pp. 340-353) it was concerned with practices in cement kilns. For example, the Board described the specification of the patent application as referring to rotary kilns used in the "cement" industry (p. 341). In discussing the Longacre patent (p. 344), the Board disposed of Longacre's mention that short shims could be used except in higher temperature installations on the basis that the burning zone temperature in a "cement" kiln is approximately 2700°F (which the Board concluded was obviously a higher temperature installation). It referred to Rentsch's study of production of a rotary "cement" kiln (p. 344). It referred to the Kaiser advertisement (p. 345-346) submitted (at pp. 247-248) with applicant's brief which also pertained to refractories for the "cement" industry. Thus, to the extent that the Board may have given any weight to the Wicken affidavit, it is abundantly clear that it must have been only in the context of novelty in a rotary "cement" kiln lining. With this in mind it should be stressed that Wicken did not know of pre-1955 uses of short shims in cement kiln linings and his affidavit was free from any inaccuracy, even inadvertent, in this regard.

In summary, we believe that it was error to find that the evidence established that Rentsch misled Wicken

with respect to the contents of the revised affidavit. None of the evidence supports a finding that Rentsch did not fully believe in the novelty of deliberate spacing and thus in the accuracy of the affidavit nor is there clear and convincing evidence of any wrongful willfulness on the part of Wicken or Rentsch. Additionally, there is no evidence that, but for this affidavit, the Patent Office would not have issued the Anderson patent. Even assuming that Wicken in 1963 concluded that there was a question in his mind as to the novelty of deliberate spacing of shims in kilns other than cement kilns in 1955, at best his knowledge was of the exceptional installations which were not positively identified in the 1948 memo (Ex. CG) and which could well have been secret. The state of mind of Wicken in 1963 cannot be decisive.

We submit that the evidence of record does not clearly and convincingly establish that the Wicken affidavit was false, misleading or material to the issuance of the Anderson patent, nor establish any knowledge of wrongdoing on the part of Rentsch or any other employee or agent of Appellant. The evidence does not establish fraud, and the court's conclusion that the Wicken affair was one element of a four part fraudulent plan to mislead the Patent Office was clearly erroneous.

**EVEN WERE THE PATENT SIDE OF THIS CASE
EXCEPTIONAL, THE AMOUNT AWARDED BY
THE COURT BELOW IS NOT "REASONABLE"**

We submit that the court below committed error in awarding defendants the enormous amount of \$280,000 of attorneys fees because this award is not "reasonable"*

*Taking this total of 100 days in court, add 100 days for preparation, i.e., 200 days, the award is \$1400.00 per day. *Dubil* establishes \$800.00 per day as excessive, i.e., *unreasonable*.

within the meaning of 35 USC 285. We believe it to be clear that this award is not reasonable because:

1. The award made is 600% more than the largest amount ever awarded to a prevailing defendant in a patent case of which we are aware and, as such, is contrary to firmly established policy considerations.

2. If either the generalized approach approved by this Court in *Dubil v. Rayford Camp & Co.* (9 Cir. 1950) 184 F.2d 899, or an analytical method is used to assess a reasonable award, the maximum amount which could properly be awarded is \$37,000.

Application Of A Formula Approved By This Court In An Earlier Case Would Limit Any "Reasonable" Award To A Maximum Amount Of \$37,000.

This Court pronounced a generalized formula for fixing a reasonable amount on an award of attorney fees under 35 USC 285 in *Dubil v. Rayford Camp & Co.* (9 Cir. 1950) 184 F.2d 899. In that case it was indicated that a possible basis for award, although over-generous, would be to allot one day of preparation for each day of trial, and further indicated that an allowance of \$800 per day would be so excessive as to be unsustainable. In the present case, review of the pretrial proceedings indicates that an allotment of 3 of the 11 days therein spent on the patent side would be more than ample. Introduction by plaintiff of its evidence of patent conception, reduction to practice and patent infringement required approximately 158 pages of transcript (Tr. 931-72, 1123-48, 1157-81, 1323-31, 1767-69, 1940-60, 5273-5302, 5330-39, 5404). Allotting 100 pages per day of trial, it is clear that plaintiff took no more than 2 days to present its patent case. Finally, review of the transcript demonstrates that the remainder of the patent case, both as

respects plaintiff's claims and defendant's defenses took a further 32 days (all or parts of Tr. Vols. 41, 42, 43, 61, 62, 64-69, 72-79, 84-94 and 96-100).

We thus find that there were 37 patent trial days. Adding to those 37 days another 37 days for preparation, which this Court stated to be over-generous in *Dubil*, and multiplying the resulting 74 days by the realistic figure of \$500 per day rather than the \$800 per day which this Court stated to be unsustainable in *Dubil*, the amount reached is \$37,000.*

There can, of course, be no doubt that only those trial days applicable to the patent side of the case can be considered in assessing any award since, as we have previously pointed out, *Aeration Processes, Inc. v. Kidde & Co., Inc.* (2 Cir. 1949) 177 F.2d 772 and *Turchan v. Cincinnati Milling Mach. Co.*, (6 Cir. 1953) 208 F.2d 228, and other decisions make it clear that apportionment so as to restrict the award to the patent side of the case is required.

Furthermore, the more analytical approach for deriving the maximum allowable award set forth in detail in plaintiff's Memo re Reasonable Attorneys Fees (R. 3910-42) demonstrates that the information provided by defendants when viewed in light of the applicable authorities constitutes a showing of no more than 1225 hours of attorney time can be attributed to the patent side of the case. Thus, since defendants have represented that they consider \$30 per hour to be a reasonable billing rate (R. 3775) and, indeed, have represented that much of the work done by their lawyers was actually at this rate (R. 4525-27), this analytical method sets the maximum amount of the award at \$36,750 which coin-

*Taking 74 days — the \$280,000 award is at the rate of \$3783.+ per day.

cides remarkably well with the more generalized *Dubil* approach.

Thus, if any award at all were appropriate in this case, which we by no means concede, two independent and judicially approved methods of assessing the amount thereof establish \$37,000 as the maximum permissible award, the basis for which in either case could be clearly stated in accordance with the *Dubil* doctrine. In view of this and of the fact that the award made by the court below was 7 times as much as the largest amount previously awarded to a prevailing defendant in a patent case, the conclusion is inescapable that the trial court would have committed reversible error in making an award of \$280,000, even if it had clearly stated the basis for this award, which it did not. We are confident that this Court will not let stand an award which so dramatically conflicts with applicable facts, law and policy.

Finally, we must point out that the award made by the court below was in error because it included services rendered by non-lawyers,* did not recognize counter-vailing equities in appellant's favor such as the lack of success of defendants' motion for summary judgment on the patent issue, *Talon, Inc. v. Union Slide Fastener, Inc.*, (9 Cir. 1959) 266 F.2d 731, *Dixie Cup Co. v. Paper Container Mfg. Co.*, (7 Cir. 1948) 169 F.2d 645, the pro-

*Finding of Fact No. 137 (R. 3757) which states that the "legal services" of Kaiser's "attorneys" comprised more than 13,559 man-hours leaves no doubt that services of non-lawyers were included since deduction of only the 1205 hours of Mr. Barden's services performed before he was admitted to the bar and the 1207 hours of services performed by Kaiser's non-lawyer patent agent, Miss Lloyd (see Exhibit B to Geriak Affidavit, R. 4507-09) from defendant's original demand for compensation for 15,000 hours of services would result in 12,588 hours, thereby establishing that the court included almost 1000 hours of these non-lawyer services alone.

longation caused by defendants* or lack of patent matter familiarity on the part of the Thelen firm, *Orgel v. Clarke Boardman Co.*, (2 Cir. 1962) 301 F.2d 119.

With regard to the foregoing, we believe it appropriate to point out that the prolongation by defendants which we have pointed out emphasizes the wisdom of the American policy of discouraging attorney fee awards to the prevailing party. In their lust for such an award, defendants prolonged the case and then were able to convince the trial court that appellant was responsible for such prolongation so as to make it available as a basis for an attorney fee award under the patent statute. Only chaos in judicial administration would result if every time a party in a patent case began to feel that the case would be decided in its favor, such party undertook to make the case "exceptional" by causing as much prolongation as possible with a view toward attaching culpability therefor to the losing party. Failure by this Court to set aside the award in this case cannot help but to encourage such an unfortunate practice. The district court invited defendant to move to try the patent issue separately. If this had been done that issue would have been disposed of in not less than the time taken when, as here, confused with the other issues. Defendant elected to forego that suggestion. Defendant could upon

*For example, defendants' counsel insisted on reading numerous depositions into the record even after counsel for appellant filed a memorandum suggesting that depositions be offered in evidence and not read into the record *in extenso* (R. 2849-52), after appellant's offer to stipulate the entire depositions into the record (Tr. 5970-72, 6096, 6131, 6188 and 6807), and after the court indicated that such reading of depositions was unnecessary and that the court could do this in a small fraction of the time (Tr. 5971 and 6094-95). In this regard, the trial court also observed that a live witness usually goes faster and makes more sense than the reading of a deposition by counsel (Tr. 9144). In spite of all this, numerous trial days were consumed by defendants' counsel in reading these depositions into the record.

such separate trial within the law only have been awarded attorneys fees with respect to such separately triable issue, i.e., patent issue. By its election to maintain the issues combined, defendant cannot reap compensation for its election.

Extensive though the foregoing discussion relating to the many issues raised by the attorney fee award is, we have not yet reached the issues relating to the merits of this case. The remainder of this brief is directed to the merits of appellant's claim for wrongful appropriation of confidential information. As previously noted, we have not brought the issue of patent validity to this Court for review.

Policy Considerations Require A Strict And Conservative Application of 35 USC 285. This Is Particularly True Where Attorney Fees Are Assessed Against A Losing Plaintiff.

We have previously traced the development of that policy which, from the beginnings of this Republic, has evolved the general rule that the granting of attorneys fees to the prevailing party shall not be encouraged but rather discouraged, and since 35 USC 285 thus derogates from the general rule of the land, it must be strictly construed. This, we submit, is the clear meaning of the decisions in *Farmer v. Arabian American Oil Company*, (1964) 379 US 227, 13 L.ed.2d 248 and *Fleischman Distilling Corp. v. Maier Brewing Co.*, (1967) 386 US 714, 18 L.ed.2d 475.

We have also previously pointed out that there has long been judicial recognition that this policy should be applied particularly vigorously where, as here, it is the defendants who have prevailed rather than the plaintiff since the elements of property loss to a prevailing plain-

tiff do not apply to a prevailing defendant. Thus, it is hardly surprising that a diligent search of the cases reveals that the largest reported amount which has ever been awarded to a prevailing defendant in a patent case as attorney fees is \$40,000 awarded in *Young v. General Electric Co.*, (N.D. Ill. 1951) 96 F.Supp. 109. In *Young*, the court made it clear that the amount awarded was less than that actually expended by the prevailing defendant. Very recently in *Davis v. E. I. du Pont de Nemours & Co.*, (S.D. N.Y. 1966) 151 USPQ 36, a copyright case involving attorneys fees awarded under the copyright statute, which statute compares closely to Section 285 of Title 35, the court at page 39 observed:

“If the courts have indeed applied a more restrictive rule when defendants prevail than when plaintiffs succeed, a possible explanation may be that an award to a defendant is somewhat *more* ‘at variance with the usual practice in litigation before our courts . . .’ See *Orgel v. Clark Boardman Co.*, 301 F.2d at 122. One aim of our system of jurisprudence is to prevent costs from becoming so burdensome that litigants with what they believe to be meritorious claims are discouraged from bringing suit. See *Farmer v. Arabian American Oil Company*, 379 US 227, 235 (1964). Awarding a counsel fee to a plaintiff against whom some injury has been done would seem less out of harmony with this policy than an award to a winning defendant. Be that as it may, I will decide this application not on the basis of whether the award is sought by a successful plaintiff, rather than a successful defendant, but upon other general principles found in the decisions.”

We ask that the Court note particularly the citation of *Farmer* in *Davis* and we are confident that this Court

will recognize that the merits of the *Farmer* policy are as applicable to the present case as they were in *Maier*. In addition, we have here the huge Kaiser conglomerate on the one hand and a relatively small cement company on the other. Yet in spite of the policy considerations which we have discussed at length, an award of \$280,000 in attorney fees has been made, this award being 600% more than the largest previously reported award of this type in *Young*, and at the staggering rate of \$2800.00 per day of total court time on all issues.

The District Court was by no means helped in its consideration of the award question by defendants' demand for and insistence upon substantially full reimbursement for all of the monies paid to lawyers and non-lawyers alike in connection with the defense in this case, such reimbursement being represented by defendants to be the enormous amount of \$450,000. Assuming this monumental amount to have been paid, it is but the result of the fact that teams of lawyers have been retained throughout this litigation by Kaiser as is its right and as is the practice, quite regardless of the damage exposure present in a given case, of the formidable business institutions of our time. We have no quarrel with this big business approach to litigation. Our only quarrel is with the consequences of any principle that might be judicially established whereby the smaller company or individual having the temerity to sue such an institution must look forward in the event of losing to being substituted for the institution as the employer of all those counsel whose services he could not and would not have retained on his own behalf. From the plaintiff's standpoint, patent cases are never free from doubt. Moreover, they are expensive. But were reimbursement to the large corporation for its attorneys fees to be made a precedent here, as defendants would have it, precisely that result which

the Supreme Court will not countenance would be effected, and, in fact, the very constitutional purpose of the patent grant would be subverted. Certainly, there would be scant incentive to invent, much less to disclose such invention in a patent, for the individual or company of modest means if the attempt to enforce any such patent were likely to result in being charged for the services of the lawyers of a huge conglomerate such as Kaiser, and it should not be overlooked that defendants here have indeed been found to have infringed the patent in suit (Finding of Fact No. 131, R. 3753).

Unfortunately, the court below did not state the basis of the attorney fee award with sufficient clarity to permit us to characterize it in a manner which is free from doubt, but it would appear that in the statement appearing at (R. 4669):

“... when the original complaint was filed it contained no patent cause of action and it was not filed in bad faith, but there *came a time* when the principles which led to the award of attorneys fees in the cited cases applied to the further maintenance of this action.” (Emphasis added)

that the trial judge simply chose an unspecified point in time and, giving some unspecified consideration to the matter of duplication of effort, granted substantial reimbursement for all services subsequent to that point in time, whenever it was. We submit that this approach clashes with *Dubil* and firmly ingrained American policy and is reversible error.

CONFIDENTIAL INFORMATION

Introduction

The confidential information issue presents a simple fact situation which we believe to compel reversal of the

trial court's holding that Monolith's confidential information was not misappropriated by Kaiser.

Briefly, the facts which cannot be controverted are as follows. In August of 1953, Monolith disclosed to Kaiser the concept of rotary kilns lined with conventional basic brick having short shims to increase cement production. This August, 1953 disclosure conveyed to Kaiser at least one specific embodiment of this concept, i.e. that involving the use of longitudinal shims. Prior to the disclosure, Kaiser had never seriously considered the use of short-shimmed linings and was unaware of the benefits derived therefrom. The flow of information to Kaiser continued and by March of 1954 Monolith had reported to Kaiser that field tests indicated kiln production had been increased 100 barrels per day by virtue of installation of a lining embodying short shims of arcuate type. Within three or four months after being informed of the increased production due to lining of the kiln in this manner, Kaiser had begun to evidence its interest in manufacturing brick with short shims and soon thereafter proposed to customer cement companies that linings composed of bricks employing short shims be field tested. Some of these companies agreed to perform field tests and Kaiser was able to sell them their short-shimmed brick for this purpose. Such brick was eventually sold under the trademark "UNITAB". The "UNITAB" brick became a commercial success and was of great benefit to Kaiser. Plaintiff did not share in this benefit.

The basis for recovery for misappropriation of confidential information is "that equity will not permit one to unjustly enrich himself at the expense of another". *Engelhard Industries, Inc. v. Research Instrumental Corp.*, (9 Cir. 1963) 324 F.2d 347, 352. The court below set forth the elements of this action based upon mis-

appropriation of confidential information as follows in its memo of decision (p. 8, R. 3567) :

- “(1) that there was a disclosure in confidence;
- (2) that the disclosure was of something novel; and
- (3) that the defendant appropriated the information disclosed to its own use.”

Appellant agrees with this statement of this cause of action although, as will be shown later, we do not agree with the general statement of the requirement of “Novelty” (2). As we will show from the Restatement of Torts § 757, this requirement is novelty to the person receiving the disclosure and commercial benefit to the discloser over his competitors.

Broadly, the trial court erred in holding that short shimming as used in the “UNITAB” brick was not disclosed to Kaiser by Monolith and that what was disclosed was not novel. We will first describe the nature of these errors and will then consider the nature of the disclosure, the confidential relation, the novelty issue, and finally Kaiser’s appropriation.

The Errors

We submit that the majority of the findings of fact relating to the misappropriation of confidential information are not binding on this Court because the finding regarding the nature of the information disclosed to Kaiser by appellant is clearly erroneous and because of the court’s misconstruction of the law as to the degree of novelty required for a protectible disclosure. Since these two basic errors are reflected in so many of the findings regarding the confidential information issue, we will, rather than individually attack the many findings on this

issue which are in error, point out how these two fundamental errors vitiate the remaining relevant findings.

The Information Disclosed By Appellant To Kaiser

The court erred in defining the information disclosed by Kaiser to Monolith. In essence, the court held that Monolith's disclosure was vague and that it related only to the concept of lining a rotary kiln with arcuate short shims (Findings of Fact No. 28 and 29, R. 3714-15). It will be shown that even the contemporaneous documents prepared by Kaiser, which the court found to be completely reliable (Finding of Fact No. 32, R. 3716), establish that the use of kiln linings employing short shims on basic brick to increase production was clearly disclosed by appellant to Kaiser and that appellant put Kaiser in possession of knowledge of the two specific embodiments distinguished by the court below, i.e., linings employing longitudinal and arcuate short shims.

It is to be emphasized that the decision of the trial court is based on irreconcilably inconsistent holdings that appellant made a confidential disclosure to Kaiser but that this disclosure was not a confidential disclosure of kiln linings composed of short-shimmed brick even though the *only* relevant disclosures made by appellant to Kaiser prior to the commencement of Kaiser's efforts to market short-shimmed brick were indisputably directed to such linings. We will demonstrate herein that this inconsistency cannot be other than reversible error.

Appellant's Disclosure Had The Novelty Required By Law

The second major error was the holding that the Monolith disclosure was not novel (Finding 33, R. 3716). The evidence is clear that lining of cement kilns with short-

shimmed basic brick was novel, was not previously considered by Kaiser and was not suggested by the prior art. Even if the prior art was such that Kaiser might have used it to independently develop the information disclosed by Monolith, Kaiser did not so use the prior art and thus the novelty requirement was satisfied, *Futurecraft Corp. v. Clary Corp.*, (Dist.Ct.App. 1962) 205 Cal.App.2d 279, 23 Cal.Rptr. 198.

This error together with the court's clearly erroneous finding as to the nature of the information disclosed by appellant to Kaiser give rise to two important derivative errors involving undue limitation by the court of the confidential relationship between the parties and the holding that Kaiser did not appropriate Monolith's information.

The Court Unduly Limited The Confidential Relationship Between Appellant And Kaiser

The court did find that a confidential relationship existed between the parties. However, because of the two aforementioned fundamental errors, the court erred in holding that the confidential relationship was limited to one specific embodiment of the disclosure of the concept of lining a rotary kiln with basic brick having short shims for increased production, i.e., the arcuate form of short shim. Since both the longitudinal short shim used by Kaiser in its "UNITAB" brick and the arcuate short shim were disclosed as part of the above basic concept, at the same time and under the same circumstances, it is clear that the confidential relationship applied to both. The court's failure to find a confidential relationship with regard to the longitudinal short shim embodiment was based upon a clearly erroneous conception of the nature of the information disclosed and a misconception of the law relating to the degree of novelty required

for protection. Thus, there is not a separate error in the finding that a confidential relationship existed only as to the circular shim, but rather a perpetuation of the two basic errors described in the immediately preceding sections of this brief. We believe that, in this, the trial court was erroneously influenced by the irrelevant fact that appellant ultimately settled on commercial use of linings employing arcuate short shims whereas Kaiser's customers ultimately settled on commercial use of linings employing longitudinal short shims.

Kaiser's Misappropriation

The court's error in holding that the Monolith disclosure was not appropriated by Kaiser was again caused by the first two errors. Had the court found that the disclosure was concrete and satisfied the novelty requirement, a holding of misappropriation would have necessarily followed as evidenced by the fact that Kaiser was held to have infringed appellant's patent. The finding of no appropriation was merely a holding that there was nothing to appropriate in the absence of a concrete and novel disclosure. No other basis for the finding exists and thus there is no independent support for the finding.

Having briefly sketched the nature of the foregoing errors, we will now examine each of them and the significance thereof in some detail.

THE MONOLITH DISCLOSURE TO KAISER OF KILNS LINED WITH SHORT SHIMMED BRICK

The concept of lining a rotary kiln with conventional basic brick having short shims to increase cement kiln production was first disclosed to Kaiser as a proposal based upon extensive experience with conventional shims and basic brick in cement kilns. Later, more details re-

garding short-shimmed linings were disclosed and finally, an actual experimental lining using short shims with basic brick and the attendant increase in production resulting from the use of such a lining were disclosed to Kaiser, all prior to June, 1954.

Monolith's Conception Of A Short-Shimmed Lining

The undisputed evidence establishes that the concept of a kiln lined with short-shimmed conventional basic brick was independently developed by Anderson, an employee of Monolith (Anderson Deposition, Vol. I, p. 11, admitted in evidence, Tr. 1107; Tr. 1141). Anderson's short shimming procedure was discussed with Allen Johnson of Monolith and Johnson reported in his letter of August 23, 1953 to Bert Oberg of Monolith (Ex. 666/CZ), that it was Anderson's opinion that the heat transferred through the Kaiser Permanente basic brick used at the time by Monolith might contribute to a kiln production loss of 100 or more barrels of cement a day as compared to alumina brick. Johnson, in his report, went on to state:

“It is his [Anderson's] suggestion that a Permanente lining be installed leaving the steel shim 2” from the kiln shell which may cut down some of the radiation. It is my opinion that we should try this. It may cut down the radiate [sic] heat, and should not affect the life of a lining even if it does not have the desired effect.”

The First Disclosure To Kaiser: The Johnson-Putnam Telephone Call In 1953

The first Monolith disclosure of the use of rotary cement kiln linings having short shims to improve production was made to Kaiser on August 27, 1953 when

Allen Johnson of Monolith telephoned Jack T. Putnam of Kaiser. The substance of this conversation is contained in a memo written by Putnam (Ex. 106/DA, Appendix, Part 10) which is set forth in part below:

"The Plant Superintendent, Hank Anderson, according to Alan [sic] Johnson, is becoming concerned over the loss in production caused by the additional heat loss due to the increased thermal conductivity above a 70% alumina brick. He contends that he is losing between 100 and 200 barrels of clinker per day as a result of this heat loss. *This is the first time that we have had heat loss interpreted in terms of lost production.*" (Emphasis added.)

* * * *

"A second approach to alleviating this heat loss condition was suggested by them. They feel that, quite possibly, a good proportion of the heat is transmitted from the hot face to the cold face by the steel shims used. *They thought that, perhaps, this could be corrected by leaving two inches between the end of the steel shim and the shell.* It is conceivable that this might help, but I, for one, cannot understand how they could install their brick correctly with this gap at the back end of the brick. I can visualize all sorts of things going wrong. Any expression of how to correct or assist in the correction of this particular problem will be appreciated." (Emphasis added)

Despite this memo from the Kaiser files, the court refused to believe Johnson's testimony that he had disclosed spacing of conventional shims away from the kiln shell when lining a kiln with Kaiser basic brick (Tr. 978; Tr. 8476). Furthermore, there is nothing in this memo

to support the court's disbelief of Johnson's testimony that he disclosed the expedient of supporting the shims on the Kaiser brick (Tr. 981; Tr. 8393; Tr. 8476) to Putnam.

Finding of Fact No. 32 (R. 3716) indicates that the above memo is in conflict with the Johnson testimony, but we see no conflict. There is no controversy over the general purpose of the telephone conversation; it was to discuss a conventional Kaiser basic brick lining which had been installed at the Monolith, Laramie plant (Memo of Decision, p. 44, R. 3603). In the first sentence of the portion of the Putnam memo quoted above, it was indicated that there was some concern that the use of the Kaiser conventional basic brick lining resulted in a loss of production as compared with the alumina brick linings which had previously been used. As indicated in the third sentence, that was the *first time* that loss of heat resulting from the use of the basic brick had been interpreted in terms of lost production. The court below indicated in its Memo of Decision (p. 48, R. 3607) that the expression of heat loss in terms of production is not alone a trade secret. However, no one integrated production and heat loss prior to Monolith's disclosure. The totality of the disclosure, short-shimming the lining to achieve increased production, does constitute protectible information, a trade secret.

The second paragraph of the memo quoted above indicates that the heat loss, and as a result the production loss, could be alleviated by leaving two inches between the end of the steel shim and the shell. As previously established, the entire discussion related to the conventional Kaiser basic brick. It was conventional practice to use a longitudinal steel shim, with this basic brick, that extended from the hot face to the shell (Finding of Fact No. 16, R. 3712). Thus, Putnam's memo can only

mean that Johnson had disclosed the concept of lining a rotary kiln with basic bricks having short shims and that the specific embodiment so disclosed was to use the Kaiser basic brick with a longitudinal shim conventional in all respects except that the shim was to be short and held away from the shell of the kiln. The Putnam memo is indeed in accord with Johnson's testimony regarding the telephone conversation and establishes that he made a concrete disclosure of the generic concept of a rotary kiln lined with short-shimmed brick and the specific embodiment thereof involving the use of longitudinal short shims. Johnson recalled that arcuate shims were also discussed (Tr. 978-979; Tr. 8381-82), but the Putnam memo is silent in this regard.

In answer to the Putnam memo, Davis of Kaiser wrote a reply memo dated September 10, 1953 (Ex. 107/DB, Appendix, Part 10) stating:

"The idea of using a space between the cold end of the steel plate and the shell has been raised before. I believe this might be *accomplished fairly simply by bending over a one or two inch tab on our regular plate for this job*. If they would like to try it, we would furnish those special plates at no extra charge, *for the experiment*." (Emphasis added)

Any possible doubt as to whether the Putnam memo establishes the clarity and concreteness of the Johnson disclosure is completely dispelled by the fact that this Davis memo establishes that Davis immediately understood what was meant by providing a space between the kiln shell and the shim of a Kaiser basic brick. Furthermore, it was at once clear to Davis that conventional Kaiser basic brick employing a full length longitudinal shim could be modified merely by bending the shim into an "L" shape in order to hold it on the hot face spaced

away from the cold face. This is exactly the form of short shimming employed by Kaiser in its "UNITAB" brick. Thus, as a result of the Johnson telephone conversation, Kaiser was fully in possession of the basic concept and the specific details necessary for building a rotary kiln using Kaiser conventional basic brick and longitudinal but shortened shims.

The court below apparently was convinced that the disclosure related only to arcuate shims because only arcuate shims were actually manufactured and installed in the Monolith experimental lining. However, the law does not require that confidential information be actually placed in physical form in order for it to be protected. Rather, it need only be expressed in concrete terms such that it can be put into practice and the court indicated that, given a disclosure of the concept of a short shimmed lining, the actual physical means for providing a short longitudinal shim readily occurred to those knowledgeable in the art of cement kilns (Memo of Decision, p. 55, R. 3614). That a disclosed idea need not be reduced by the discloser to tangible form for there to be protection under the law was clearly explained in the well reasoned opinion in *Jones v. Ulrich*, (Ill. App. Ct. 1950) 342 Ill. App. 16, 95 N.E.2d 113, 87 USPQ 331 (Appendix, Part 11).

Subsequent Monolith Disclosures In 1954

The Monolith disclosure did not end with the Johnson phone call. For at least one year thereafter, there was a continual flow of information from Monolith to Kaiser on the subject of forming a kiln in the manner disclosed by Johnson. The Johnson phone call was a full and concrete disclosure and its value was verified by the experimental lining which was tested under production condi-

tions in the Laramie kiln in 1954. The results were reported by Palmer Ford of Kaiser in his Call Report of March 3, 1954 (Ex. 114/DM, Appendix, Part 10). Ford reported that the short-shimmed lining installed in January, 1954 at Laramie had resulted in an increased production as follows:

“Johnson said that the short steel shim installation at Monolith, Laramie, appears to have increased clinker production 100 bbls. per day.”

Although the court has characterized the information given by Monolith to Kaiser regarding the 1954 Laramie lining as vague, conflicting and in some respects false (Finding of Fact No. 28, R. 3714), there is no substantial evidence to support this characterization as is clear from the nature of those disclosures which are set forth in some detail in Part 12 of the Appendix. This evidence establishes that Ford of Kaiser was informed of Monolith's experimental Laramie kiln as well as the results of this experiment, that Kaiser recognized that spacing of the shim from the kiln shell was the fundamentally important feature of longitudinal and arcuate short shims, that Kaiser appropriated the Monolith disclosure and that this disclosure had value.

With regard to the latter, the evidence of value and Kaiser's commercial benefit from the short-shimmed lining concept would render clearly erroneous any finding that the Monolith concept does not have value. In the analogous situation in patent law, an infringer is estopped to argue that the infringing article is inoperative, *Dunkley Co. v. Cent. Calif. Canneries*, (9 Cir. 1925) 7 F.2d 972, 976-77; *Kansas City Southern Ry. Co. v. Silica Products Co.*, (8 Cir. 1931) 48 F.2d 503, 505, cert. denied, 284 US 626, 76 L.ed. 533. In the present case, even if Kaiser were not estopped, there is simply no evidence

permitting the inference that the Monolith disclosure had no value.

Thus, the attempt of the court below to bottom a conclusion that Monolith did not “disclose something” to Kaiser on the proposition and that which was disclosed had no value (R. 3669-79) was contrary to all of the evidence and clearly erroneous.

MONOLITH'S DISCLOSURE OF SHORT-SHIMMED KILN LININGS TO KAISER WAS MADE IN CON- FIDENCE

We have demonstrated in the foregoing section of this brief that there was a concrete disclosure of information of value to Kaiser by Monolith which conveyed working knowledge of the concept of rotary kiln linings employing short-shimmed brick. Having established that the evidence permits no conclusion other than that such a disclosure was made, we must now address ourselves to the question of whether the evidence requires the conclusion that it was in confidence.

The trial court recognized that the evidence permitted no alternative but to find that a confidential relationship existed between Monolith and Kaiser, and so found in Finding of Fact No. 68 (R. 3726), but went on to conclude that such relationship was limited to radial, i.e., arcuate, short shims. We will establish beyond any doubt in the following sections of this brief that the confidential relationship between the parties was not limited to arcuate short shims because:

1. The original disclosure by Johnson of Monolith to Putnam of Kaiser was not limited to arcuate short shims, but rather was generic to short shims generally and specific to longitudinal short shims.

2. The conduct of the parties leaves no doubt that there was a confidential relationship relating to the concept of kilns lined with short-shimmed bricks regardless of whether the shims were longitudinal or arcuate.

The Johnson-Putnam Disclosure Was Not Limited To Arcuate Short Shims, But Rather Was Generic To Arcuate And Longitudinal Short Shims, And Specific To Longitudinal Short Shims

We have previously demonstrated at pages 112-116 of this brief that the Putnam memorandum (Exhibit 106/DA, Appendix, Part 10), which sets forth the substance of the disclosure by Johnson in August 1953, establishes beyond any doubt that the original Monolith disclosure was directed to a kiln lining employing bricks having short shims without regard to whether these shims would be longitudinal or arcuate and that the specific embodiment of this concept which Johnson and Putnam discussed was the use of Kaiser's conventional brick having a *longitudinal* shim which would be shortened in accordance with the Monolith disclosure. Thus, the attempt of the court to limit the confidential relationship between the parties to arcuate short shims must fail because once having found, as it did in Finding No. 68 (R. 3726), that there was a confidential relationship between the parties, it is simply impossible to conclude on the basis of the uncontradicted evidence that this relationship did not include linings employing longitudinal short shims since it cannot be denied that the original disclosure was directed to short shims generically and to longitudinal shims specifically.

The Circumstances Surrounding The Monolith Disclosure To Kaiser Establish A Confidential Relationship

Even though the court found in Finding No. 68 (R. 3726) that a confidential relationship existed between the parties, it, and we believe inconsistently, characterized certain specific disclosures including the Johnson-Putnam telephone call as not being confidential. We submit that the circumstances surrounding this telephone call establish that the disclosure made therein was in confidence and that Finding of Fact No. 36 (R. 3717) to the contrary is clearly erroneous. It is true that Kaiser was not expressly required to make a pledge of secrecy as to the Johnson call. However, at the time of the phone conversation, a relationship of cooperation was in existence between the parties which made such a pledge unnecessary.

Kaiser was, of course, vitally interested in anything which might improve the linings for which it sold its brick and certainly a change in shimming which would increase kiln production when the brick was used was of great value to Kaiser. It was natural for Monolith to disclose short-shimmed linings to Kaiser since Monolith did not manufacture brick and it was a necessity that Monolith contact a brick manufacturer and enter into a joint venture to permit field testing and ultimate commercialization of the Monolith short shimming innovation. Furthermore, Kaiser would obtain a derivative benefit in increased brick sales if short shimming were widely accepted. That a disclosure to further a particular relationship will result in a confidential relationship was recognized in *Cloud v. Standard Packaging Corp.*, (7 Cir. 1967) 376 F.2d 384, 388-89:

“Where the facts show that a disclosure is made in order to further a particular relationship, a

relationship of confidence may be implied, e.g., disclosure to a prospective purchaser to enable him to appraise the value of the secret, disclosure to a prospective lender to assure him of the prospects of the borrower's business, disclosure to agent, partner, or joint adventurer."

The testimony of Johnson, to the effect that he did not assume the phone call was confidential, was quoted in the Memorandum of Decision (p. 62, R. 3621), but is of no significance. The existence of a confidential relationship, created in part by the prior dealing of the parties, is a complex conclusion of law on which a layman's views are of questionable relevance and certainly not conclusive. Rather, it is the facts and circumstances surrounding the disclosure and the conduct of the parties subsequent to the disclosure which must be examined to determine whether a confidential relationship existed. In this regard, it is to be kept in mind that the assumptions of a lower echelon employee such as Johnson provide little or no insight into the relationship between Monolith and Kaiser, a relationship which would inevitably be based on the formal and informal understandings reached by policy-making personnel of the respective companies. Certainly, the actions taken by the policy-making personnel of Monolith and Kaiser have far more probative value than the assumptions of the relatively inconsequential Johnson. Indeed, to give the assumptions of Johnson controlling significance would be to abdicate the decision-making function of the court to a person entirely unqualified to assume it.

The actual relationship of the parties was such that both Monolith and Kaiser were interested in obtaining better performance of kiln linings and there was a large degree of cooperation between the Kaiser brick salesmen and the operating personnel of the Monolith kilns.

Out of this spirit of cooperation arose a relationship of confidence. The court noted this in its Memorandum of Decision (pp. 59-60, R. 3618-3619) and stated at page 60 (R. 3619):

“Any time that information was characterized as confidential, Kaiser kept the confidence. *Kaiser also exercised a discreet judgment, as did other refractory manufacturers, as to the difference between general information which could be made available to the industry and special information affecting the competitive advantage of a particular customer over its business rivals.*” (Emphasis added)

The above statement of the court constitutes a very important qualification on findings such as Finding No. 34 (R. 3716) to the effect that Kaiser had a policy of freely disclosing and disseminating all information between various manufacturers. Obviously, there was information which Kaiser recognized as being freely given and which Kaiser felt free to pass on. However, the trial court recognized that it would be absurd to think that Kaiser felt that all information it acquired could be freely passed on *or used by Kaiser to its own benefit* without consent.

Kaiser's technical salesmen of brick were necessarily shown many features of the Monolith cement plant so that they could be of greater assistance in supplying a suitable product. There is nothing unique in this method of operation and when it is employed, business ethics require that information learned for the purpose of allowing the parties to deal favorably in the future should not be disclosed to others. This was recognized in *Chun King Sales v. Oriental Foods*, (S.D. Cal. 1955) 136 F. Supp. 659, affirmed in part and reversed in part (9 Cir. 1957) 244 F.2d 909. The court there considered whether

a use was an experiment made in confidence or public such that it was a statutory bar as to a patented invention. In finding confidence, the court looked to cooperation between the inventor and discloser, stating at 136 F. Supp. 662:

“There is evidence in the record that the Minnesota Mining & Manufacturing Company made several attempts to construct a machine for the plaintiff for the purpose of achieving the result finally attained by this invention. They were interested in selling to the plaintiff their patented tape. Their employees were allowed on the premises of the plaintiff to see, and participated in, the experiments being carried on. Whether they were pledged to secrecy is *not* material. They knew that experiments were being carried on and the plaintiff had the right to rely on the decencies of ethical conduct which forbid a concern dealing with another to disclose to others experimental demonstrations and uses carried on in order to enable the two parties to deal in the future on more favorable terms.”

On appeal, this Court indicated grave doubts as to whether the use was an experiment, 244 F.2d 914, but said nothing to indicate that it considered the foregoing quotation to be anything other than a sound statement of the rights of the parties if the use were indeed experimental.

The overall relationship between the parties was thus one in which they relied upon each other to respect the confidences to which each exposed the other without entering into separate formal secrecy agreements on each such occasion. Thus, the subsequent conduct of the policy-making personnel of Kaiser and particularly the license negotiation activities thereof constitutes the

most reliable evidence of whether Kaiser recognized a confidential relationship.

It is well established that license negotiations are indicative of a confidential relationship even in the absence of an express agreement of confidence. Thus, in *Schreyer v. Casco Products Corp.*, (2 Cir. 1951) 190 F.2d 921, 924, the court found a confidential relationship implied from license negotiations as follows:

“Although the court found no express agreement to hold the information in confidence and not to use it if the negotiations for a license were not successful, there was a confidential relationship created between the parties by the disclosures which restricted the right of Casco to use them to the purposes for which the disclosures were made. *Hoeltke v. C. M. Kemp Mfg. Co.*, 4 Cir., 80 F.2d 912. The breach of this confidential relationship, enabling Casco to invade the plaintiff’s market, was unfair competition.”

Throughout the case, Kaiser has referred to the dealings between it and Monolith with regard to short shimming as “arms-length” negotiations and the trial court so found (Finding No. 67 R. 3725-26). However, the mere fact that the negotiations might have been arms-length negotiations does not mean that a confidential relationship is precluded, *Smith v. Dravo Corp.*, (7 Cir. 1953) 203 F.2d 369, 376-77 (Appendix Part 13).

In *Heyman v. Ar. Winarick, Inc.*, (2 Cir. 1963) 325 F.2d 584, 587, the court explained further how the disclosure made at arms-length created a confidential relationship based upon standards of fair dealings. (Appendix, Part 14).

Kaiser’s conduct, even if characterized as arms-length negotiating, was completely consistent with its recogni-

tion that short-shimmed linings had been disclosed in confidence.

Furthermore, Kaiser expressly recognized this confidential relationship in the letter from Davis of Kaiser to Schoonover of Monolith dated February 1, 1956 (Exhibit 969/JQ) in response to an inquiry from Schoonover as to why Kaiser drawings of the arcuate short shims it was producing for Monolith contained a notice indicating that the subject matter thereof was the property of Kaiser. Davis said:

“The intent of the first sentence is to protect ideas originating with us. We certainly make no claims that material on the drawings in question originated with us and we therefor make no claim to property rights.

“We understand and agree, as we have *in the past*, that your disclosures to us in regard to the Anderson devices have been *confidential* and our people have all been instructed accordingly.” (Emphasis added)

Anderson is, of course, the inventor of the patent in suit and the claims of that patent cover longitudinal short shims as well as the arcuate short shims which were illustrated in the drawing to which Davis referred in Exhibit 969/JQ. Furthermore, we have previously pointed out why the “Anderson devices” constitute short-shimmed kiln linings regardless of whether the shims are longitudinal or arcuate.

The acknowledgement by Davis of a confidential relationship was entirely in accord with the previous dealings of the parties and with the standard of conduct which this and other courts have often required in business dealings.

For example, this Court, in *Radiator Specialty Co. v. Micek*, (9 Cir. 1964) 327 F.2d 554, 555, stated:

“We find that the trial court’s findings as to breach of a confidential relationship are well supported. There was something worse than merely tough competition. We hold that the principles of *McKinzie v. Cline*, 197 Or. 184, 252 P.2d 564, apply. At this point, it should be pointed out that any damage for this breach will probably all be included within the damage to be ascertained for the patent infringement.”

The relevant portion of the lower court’s decision in *Micek v. Radiator Specialty Co.*, (S.D. Cal. 1961) 135 USPQ 220, 222-23, appears in the Appendix, Part 15.

Similar sentiments are expressed in *Kamin v. Kuhnuu*, (Ore. S.Ct. 1962), 232 Or. 139, 374 P.2d 912, the pertinent portion of which is quoted in Part 16 of the Appendix to this brief.

MONOLITH DISCLOSED NOVEL SUBJECT MATTER TO KAISER

There is no evidence in the record which permits a conclusion that Monolith’s disclosure to Kaiser did not meet the standard of novelty required by law. Thus, we take no exception to Finding of Fact No. 31 (R. 3715) and agree with the facts stated therein. We do, however, take most vigorous exception to the successful effort by defendants to convert these facts into the conclusion expressed in Finding of Fact No. 51 (R. 3721) to the effect that the facts set forth in Finding of Fact No. 31 establish that Kaiser did not make use of Monolith’s disclosure in developing its “UNITAB” kiln liner product, Finding No. 51 having been adopted verbatim by the court.

Keeping in mind that the facts set forth in Finding of Fact 31 constitute the only "prior knowledge" of short-shimmed linings found by the court to be in Kaiser's "possession" prior to the Monolith disclosures (see also Memorandum of Decision p. 57, R. 3616), we submit that the only possible conclusion permitted by the applicable law is that Monolith's disclosures to Kaiser were novel to Kaiser. First, we point out that the record leaves no doubt that although Kaiser engineers did, as stated in Finding No. 31, consider in 1944 the Longacre and Heuer patents which disclose kiln linings employing unconventional brick and incidentally disclose that short shims may under certain circumstances be used with such unconventional brick, it is an undisputed fact that Kaiser made no attempt or effort to develop a short-shimmed lining of any type during the ten years which then passed until Kaiser was spurred into activity by the Monolith disclosures and this is the strongest possible evidence that Heuer and Longacre provided not even a suggestion, much less an effective teaching, of the concept of a lining composed of short-shimmed conventional brick which Monolith disclosed to Kaiser. Similarly, the fact that Miss Lloyd, a Kaiser patent agent who must have read hundreds of patents in her job, also looked at the Heuer and Longacre patents, can be no basis for finding that Kaiser had knowledge of the Monolith concept and there is absolutely no evidence that Miss Lloyd's "knowledge" contributed in any way to Kaiser's development of its "UNITAB" kiln lining product. In marked contrast, as we have pointed out in the previous section of this brief, it was not until the Monolith disclosures to Kaiser that Kaiser commenced any activity directed to developing its "UNITAB" product, and the rapidity with which Kaiser undertook to develop the "UNITAB" product after receiving the

Monolith disclosures can leave no doubt as to what information Kaiser used as the basis for its "UNITAB" work.

Having thus established that Kaiser was not in actual possession of the subject matter of the Monolith disclosure prior to receiving it from Monolith, we must now look to the law to determine whether the facts set forth in Finding of Fact No. 31 are such as to create constructive knowledge on the part of Kaiser such as would absolve it from liability. We will show that the applicable law precludes any conclusion that the facts of Finding No. 31 create such constructive knowledge. In order to do this, we will:

1. Make an objective examination of that which is disclosed in the Heuer and Longacre patents and point out the substantial differences between the Monolith concept and these patents, which differences were recognized by the Patent Office.

2. Explain why the applicable law requires the conclusion that the Heuer and Longacre patents cannot destroy the novelty of the Monolith disclosure to Kaiser.

Neither The Longacre Nor The Heuer Patents Contain A Disclosure Or Suggestion Of The Monolith Concept And The Patent Office So Found.

The Heuer and Longacre patents (Exhibit 14 — Notebook of Prior Art) were both filed on the same day in 1939 and proposed means for reducing the heat transfer from the lining of a kiln to the shell. Longacre proposed a brick having legs (shown as elements 30 and 31 in the patent drawings) on one end thereof such that only the legs would contact the shell of the kiln and would hold the majority of the surface of the brick away from the

shell. Heuer proposed a laminated composite brick in which the portion of the brick which came into contact with the kiln shell was formed of an insulating material. Thus, both Heuer and Longacre were concerned with unconventional brick and proposed spacing the *brick* from the shell to reduce heat transfer.

With regard to the use of short shims in the linings disclosed therein, Longacre discloses at page 3, column 1, lines 19-35 of his Patent No. 2,230,142 that the shim “need not” extend to the shell and that it is preferable from the standpoint of reducing heat losses to space the shim from the shell. Longacre then goes on to state that:

“this has the *disadvantage*, however, that cooling of the spacer plate by heating conduction is restricted.”
(Emphasis added.)

The “spacer plate” referred to is, of course, the shim. Longacre further states that for “higher temperature installations” it is *desirable* to have the shim in *contact* with the shell. Thus, in this one passage, Longacre goes to the very heart of the novelty of the Monolith disclosure. This novelty is that it would be desirable and advantageous under the conditions of operation of the burning zone in a cement kiln to sacrifice the cooling of the shim which would result from having it in contact with the shell because the overall improvement in quality of the lining which results from spacing the shim from the shell in the burning zone and gives increased production and longer lining life far outweighs the sacrifice.

Indeed, Monolith has recognized from the outset and acknowledged to the Patent Office that it is but an elementary principle of physics that spacing the shim from the shell will transfer less heat to the shell than would occur if the shims were in contact with the shell. Un-

accountably, the court (Memorandum of Decision, p. 55, R. 3614) found in this acknowledgment an admission by appellant that its short-shimmed kiln lining concept was not novel. Just the opposite, appellant's acknowledgment was designed to focus the attention of the Patent Office on that which was novel as opposed to that which was not and the court's comment in this regard would appear to provide a revealing insight into why the court reached a different decision than did the Patent Office which recognized that it was not simply spacing the shim on any brick in any environment which was novel, but rather the *desirability* of spacing the shim from the shell of a cement *kiln* lined with *conventional brick* which constituted patentable subject matter over Heuer and over Longacre.

Essentially the same analysis applies to Heuer and the following quotation from page 3, column 1, lines 33-40 thereof, demonstrates that Heuer contains no more disclosure of the Monolith concept than does Longacre:

"It ordinarily is not economical to extend the spacer plate to cover the insulating portion 28 of the brick, as the chemical reaction with the spacer plate which integrates the bricks *does not* take place with the *insulating material* ordinarily used. Therefore, in figures 1 to 5, the spacer plate 30 extends only over the longitudinal face of the non-acid refractory."
(Emphasis added.)

Once again, the Patent Office recognized the crucial distinctions between the Monolith concept and the prior art represented by Heuer, i.e., when using the unconventional brick of Heuer there was no advantage in using a full length shim because the insulating portion of the brick closest to the shell would not react with the shim whereas in the Monolith concept using a conventional

brick this passive reason for spacing would not apply. Stated differently, Heuer teaches only that when using his unconventional brick there is no particular advantage to be gained from using a full length shim, *not* that there is any advantage at all to be gained from using a short shim, much less does Heuer contain a disclosure that it would be advantageous to use a short shim with a conventional brick in his lining.

Thus, it is absolutely unremarkable that the Kaiser engineers who became aware of the Heuer and Longacre patents in 1944 found nothing in them which would motivate development of a product of the nature of the "UNITAB" kiln liner employing short-shimmed conventional brick and that they did not commence their "UNITAB" work until after receipt of the Monolith disclosures about ten years later.

The remoteness of Heuer and Longacre is emphasized even further by the fact that each of them (Longacre, page 3, column 1, lines 27-30 and Heuer, page 3, column 1, lines 41-46) unequivocally state that the shim *should* be in contact with the shell at *high temperatures*. Since the burning zone of a cement kiln operates at a temperature which would have been considered "high" by Heuer or Longacre, i.e., 2700°F. to 2800°F. (Exhibit 2/V, page 250), the disclosures in Heuer and Longacre regarding high temperature installations actually teach away from the Monolith concept. This was recognized by the Patent Office Board of Appeals in its decision (Exhibit 2/V, page 344) when it said:

"Longacre on page 1, column 2, lines 17-19, refers to a cement kiln as suitable for the application of his lining. In such kilns the temperature in the burning zone is approximately 2700°F., as appellant indicates on page 7 of his brief. This is *obviously* a 'higher

temperature installation' referred to by Longacre, one in which he suggests the use of bricks insulated from the shell, and spacer plates *contacting the shell.*" (Emphasis added)

In spite of this, and in spite of the fact that the meaning of "higher temperature installation" in Longacre and Heuer must be tested as of 1939 when these patents were filed, the court below concluded that the reference in these patents to higher temperature installation meant about 3300°F. (Memorandum of Decision, page 28, R. 3587).

The evidence cited by the court in support of his conclusion is no evidence at all and the conclusion is clearly erroneous. The court's conclusion was apparently based primarily upon Exhibit 73, an article dated March 24, 1958. This article indicates that in 1958 it was found that a *magnesia* kiln as described therein could operate at a temperature as high as 3300°F. The purpose of the article was to describe a new plant, built by Kaiser at an expense of three million dollars. On the first page of the article, it is indicated:

"New rotary kiln
New settler
Converted reactor

... highlight Kaiser Chemical's \$3-million magnesia-plant revamp that boosted output 50% to meet booming demand for high-purity refractory."

The article was published in a scientific journal, *Chemical Engineering*, to describe a revamped plant including a *new* rotary kiln. The temperature achieved in the new kiln, which was a sufficient advance to describe in a *Chemical Engineering* article, is not relevant to the question of temperatures as they existed in conventional rotary kilns in the 1939 era.

The court also referred to the testimony of Richard Snyder that the Cape May installation operated at temperatures of 3050°F. while he was there (Tr. 7656). Here again, the court was not relying on evidence relevant to kiln temperatures in 1939 since Snyder did not come to Cape May until 1944 (Tr. 7589).

The court's finding as to the meaning of "higher temperature installations" in 1939 is thus unsupported by any evidence relating to temperatures employed in 1939. The only direct evidence on this point in the record is the aforementioned opinion of the three Patent Office experts who sat on the Board of Appeals. Thus, Longacre and Heuer, who teach away from short shims in higher temperature installations, i.e., rotary cement kilns of the type in issue, teach away from the Monolith disclosure and do not represent prior art knowledge which could have been relied upon by Kaiser in developing the "UNITAB" brick.

The Standard of Novelty Required For Protection Of A Disclosure In Confidence Is Less Than That For A Patentable Invention And Is Amply Met By The Monolith Disclosure

The principle that the novelty requirement in the area of trade secrets does not require patentability and, in fact, not even absolute novelty is set forth in *Futurecraft Corp. v. Clary Corp.*, (Dist.Ct.App. 1962) 205 Cal.App.2d 279, 23 Cal.Rptr. 198, wherein the court adopted the Restatement view as set forth in the quotation from that decision appearing at Appendix, Part 17.

Thus, Kaiser cannot escape liability for use of appellant's short-shimmed lining concept which was disclosed in confidence because others in the industry might have previously used the same idea, *Grepke v. General Elec-*

tric Co., (7 Cir. 1960) 280 F.2d 508, 512, (Appendix, Part 18).

Although there has been some evidence adduced at the trial indicating that there were isolated instances wherein short shimming may have been practiced in the industry, such practice was exceptional, was known only to a few people in the industry and was not available to Kaiser prior to the Monolith disclosures in 1953 and 1954. Kaiser's lack of knowledge on this point is indicated by the fact that the Memorandum of Decision did not include these isolated short shim installations as part of Kaiser's knowledge (Finding of Fact No. 31, R. 3715). Thus, just as in the *Grepke* case, Kaiser cannot rely upon isolated use by others to relieve it of the duty to compensate for the information disclosed by Monolith.

Furthermore, confidential information is protected even when it might have been developed by combining various bits of prior art information such as those referred to by the court, *A. O. Smith Corp. v. Petroleum Iron Works Co.*, (6 Cir. 1934) 73 F.2d 531, 538-539, (Appendix, Part 19).

With the Monolith disclosure in hand, it is, of course, relatively easy to search the prior art for disclosures which might have been used to develop the valuable information. Other courts have been aware of this strategy and have taken it into account in their evaluation of claims that the information was known before the confidential disclosure. In *Fairchild Engine and Airplane Corp. v. Cox*, (N.Y.S.Ct. 1944) 50 N.Y.S.2d 643, the court stated:

"It is quite manifest that after this litigation was projected the defendant commenced digging in the field of 'prior art' to ascertain what had been done

and written about bonding aluminum with ferrous metals. Concededly the field was not entirely virgin. But the plaintiffs' expenditure of time and money brought results not reached by others."

See also, *L. M. Rabinowitz & Co., Inc. v. Dasher*, (N.Y.S.Ct. 1948) 78 USPQ 163, 166, (Appendix, Part 20)

Kaiser's attempts to go back to the Heuer and Long-acre patents are mere afterthoughts just as in *Trenton Industries v. A. E. Peterson Mfg. Co.*, (S.D.Cal. 1958) 165 F.Supp. 523, 532 (Appendix, Part 21).

KAISER'S APPROPRIATION

The Presumption of Appropriation

Kaiser had access to appellant's information regarding short-shimmed kiln linings and the use of short shimming in the "UNITAB" raises an inference that the Monolith disclosure was used by Kaiser, *Teich v. General Mills, Inc.*, (Dist. Ct. App. 1959) 170 Cal.App.2d 791, 793, 339 P.2d 627; *Larson v. General Motors Corp.*, (2 Cir. 1945) 148 F.2d 319.

Kaiser failed to introduce any evidence to rebut this inference. The record is devoid of any documentation of independent conception of short-shimmed linings by Kaiser. There is no documentary evidence of independent conception of short-shimmed linings by Kaiser personnel, no laboratory notebooks evidencing short shim experimentation by Kaiser and no evidence that operating personnel at the Kaiser cement plants felt the need for shim modification to decrease heat loss or increase production. On the contrary, all of the evidence requires the conclusion that Kaiser used the Monolith disclosure and the finding of the trial court that the patent in suit was infringed confirms this.

Palmer Ford Was The Moving Party In Kaiser's Appropriation

The earliest evidence of any kind indicating Kaiser activity in the area of short shims with basic brick was that Palmer Ford, a Kaiser salesman, suggested a short-shimmed lining to a customer, John Sauer of the Riverside Cement Company (Finding of Fact No. 54, R. 3722) in July, 1954, long after the Monolith disclosures. This is the same Palmer Ford to whom Monolith had by March 1954, made extensive disclosures of short shimming and to whom Monolith reported the 100 barrel per day improvement resulting from the experimental short-shimmed lining (Exhibit 114/DM, Appendix, Part 10).

Palmer Ford appears to have played a leading role in Kaiser's short shim program. In addition to suggesting the first Kaiser sale of short-shimmed basic brick for experimental use at Riverside, Ford also obtained the order for short-shimmed brick from the Southwestern Portland Cement Company in 1955 (Finding of Fact No. 57, R. 3723). Ford also was involved in the license negotiations between Monolith and Kaiser regarding the short-shimmed lining developed by Monolith (Finding of Fact Nos. 40, R. 3718; 47, R. 3720; and 59, R. 3723). In fact, Ford's active part in the adoption of short shimming with basic brick appears to have led him to claim that he disclosed the idea of short shimming to Monolith (Tr. 9889). This testimony was shown to be erroneous when Ford had difficulty in stating the first date of such a disclosure (Tr. 9886-9887) and subsequently related that the first person he spoke to at Monolith, California concerning short shimming was Douglas Kingsbury (Tr. 9891). This occurred some time between six months and one year prior to March, 1955 (Tr. 9901; Tr. 9899), i.e., well after disclosures by Anderson and Oberg to Ford.

The Court's Finding Of Infringement

There can be no question as to whether the "UNITAB" brick embodies the Monolith disclosure in view of the court's finding that the claims of the Anderson patent in suit (Exhibit 1/PS) are infringed by this Kaiser product.

The court found that claim 3 was infringed by Kaiser (Finding of Fact No. 131, R. 3753), thus indicating that Kaiser did appropriate the disclosure of that claim, i.e., lining of kilns with short shimmed brick broadly without specific reference to either longitudinal or arcuate short shims.

The fact that the court held the patent claims invalid does not affect Kaiser's duty to compensate Monolith for the misappropriated information embodied in claim 3. None of the reasons for invalidating the patent claims would defeat recovery on the basis of the confidential disclosure. As previously indicated, the novelty requirement for trade secrets is far different from that required for patentability. Thus, even if the court below is correct in holding that the prior art invalidated the patent, an issue not before this Court, the same prior art would not render the confidential information disclosed to Kaiser unprotectible.

The foregoing discussion establishes that Kaiser appropriated Monolith's complete and concrete disclosure of short-shimmed linings in rotary cement kilns using either longitudinal or arcuate shims. However, even if only linings employing the arcuate form of the short shims were disclosed, a decision that Monolith's disclosure was misappropriated by Kaiser in the use of the longitudinal short shims in the "UNITAB" brick would still be required.

It is well established that the misappropriator need not make a virtual copy of the disclosure. Rather, the courts will hold the misappropriator liable if he uses the salient features of the disclosure. Even if the "L" shaped longitudinal shim, the unitary construction and the cardboard spacer which are features of the "UNITAB", constitute improvements on the basic disclosure of short-shimmed linings, Kaiser has nevertheless misappropriated the basic feature of short shimming the lining and must be held responsible to appellant for the value of that disclosure.

In *Graver Tank Co. v. Linde Air Prod. Co.*, (1950) 339 U.S. 605, 70 S.Ct. 854, 94 L.ed. 1097, the Supreme Court considered the extent to which an infringing device might differ from that claimed in the patent. The court indicated that in this determination, the patent law was the same as the law for piracy of an idea and stated at 339 U.S. 607:

"One who seeks to pirate an invention, like one who seeks to pirate a copyrighted book or play, may be expected to introduce minor variations to conceal and shelter the piracy. Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form."

In *Booth v. Stutz Motor Car Co. of America*, (7 Cir. 1932) 56 F.2d 962, the court indicated that a confidential disclosure will also be protected even if there is not outright duplication. Furthermore, unconscious assimilation of a disclosure into a design will not relieve the discloser from the duty to account for that part of the disclosure which was used. These principles were set forth at 56 F.2d 968 (Appendix, Part 22).

That improvements on the disclosure do not relieve the appropriator of liability is indicated in *Berry v. Glidden Co.*, (S.D.N.Y. 1950) 92 F.Supp. 909, 912; and in *Mycalex Corp. v. Pemco Corp.*, (D.Md. 1946) 64 F. Supp. 420, at 425, (Appendix, Part 23).

In Finding of Fact No. 75 (R. 3727) it is indicated that the only feature common to longitudinal short shims and arcuate short shims is that there is a space between the shims and the shell. Even if this Court should conclude that the only common feature between the Monolith disclosure and the "UNITAB" brick is spacing, Kaiser remains liable for using this feature.

**THE STATUTE OF LIMITATIONS DOES NOT BAR
APPELLANT'S CAUSE OF ACTION FOR MIS-
APPROPRIATION OF CONFIDENTIAL INFOR-
MATION**

As recognized by the court below, the first five counts of appellant's Complaint set forth claims for recovery for the misappropriation of confidential information (Memorandum of Decision, p. 3 R. 3562). These counts sound primarily in tort and also assert a right of recovery based on contract.

The court found that the two-year statute of limitations California Code of Civil Procedure, Section 339(1) applied to the causes of action alleging misappropriation of confidential information (Finding of Fact No. 73, R. 3728). Section 339(1) requires that action upon a contract, obligation or liability not founded upon a written instrument be brought within two years. This section applies to tort actions and thus is applicable to an action for misappropriation of confidential information, *Italiani v. Metro-Goldwyn-Mayer Corp.*, (Dist. Ct. App., 1941) 45 Cal. App.2d 464, 95 P.2d 944.

It will be shown that the misappropriation of confidential information asserted by appellant here is a continuing tort and thus the present action is not barred and that, if anything, the period for which recovery may be had is simply limited to the two years immediately preceding filing of the Complaint. It will further be shown that the trial court erred in holding that the cause of action for the first misappropriation accrued more than two years before filing of the present suit.

**Kaiser's Misappropriation Was A Continuing Tort And
Thus The Action For Misappropriation Is Not Barred
By The Statute Of Limitations**

Misappropriation of the confidential information is a continuing tort and thus a new cause of action arises with each instance of misappropriation. As a result, the statute of limitations, California Code of Civil Procedure, Section 339(1), may operate to limit the period for which recovery may be had to the two years immediately prior to the commencement of this action, but it does not bar the action. Appellant's original Complaint (R. 2-9) clearly alleged a continuing tort in paragraph 22 (R. 6-7) of the first cause of action and the trial court recognized the continuing nature of the activities of Kaiser complained of in this case in Finding of Fact No. 21 (R. 3713) wherein it found the Kaiser UNITAB liner to have been on sale "since" early 1955.

The question of whether an action for misappropriation of confidential information is a continuing tort was squarely faced in *Underwater Storage, Inc. v. United States Rubber Co.*, (D.C. Cir. 1966) 371 F.2d 950. There the Court of Appeals for the District of Columbia, after an extensive review of existing authority, determined that misappropriation of confidential information is a

continuing tort. The court summarized its holding at 371 F.2d 955 (Appendix, Part 24). The court in *Underwater* recognized that in other analogous areas the continuing tort doctrine was applied. (See, for example, cases cited in Appendix, Part 25).

The *Underwater* result was also reached in the Second Circuit in *Titcomb v. Norton Co.*, (D. Conn. 1959) 208 F.Supp. 9, 15, affirmed (2 Cir. 1962) 307 F.2d 253:

“Plaintiff contends, however, that in the case of a continuing tort, or continuing breach of an implied contract, recovery may be had for the statutory period prior to commencement of this action. This position appears well taken.”

Appellees relied below on *Thompson v. California Brewing Co.*, (Dist. Ct. App. 1951) 191 Cal.App.2d 506, 12 Cal. Rptr. 783, but that case did not consider the question of continuing tort and was not relied upon by the trial court. *Thompson* did involve California Code of Civil Procedure Section 339(1), but it involved a contract action rather than the tort of misappropriation, the contract relating to an advertising idea. The complaint alleged that the advertising idea had been submitted by plaintiff to defendant with the understanding that it would be paid for if it were used. The idea was used without compensation to plaintiff and plaintiff filed suit more than two years after first use of the idea by the defendant. Plaintiff attempted to avoid the two year statute of limitations by contending that there had been an additional contract permitting the defendants to first test the idea, but the court found that there was no evidence to support this contention. Thus, the court found that a breach of contract had occurred beyond the period of the statute of limitations.

In *Thompson* the court pointed out that when a mere idea is disclosed, the law requires a contract before it will protect the discloser at; 12 Cal. Rptr. 786:

“Under the *Weitzenkorn* and *Desny* cases, the rule is that one to whom such an idea is offered need not pay for it unless there is a contract, express or implied in fact, to do so.”

Because *Thompson* was a contract case, the question of the effect of the statute of limitations on a continuing tort was not considered and the case is not authority for applying the statute to the continuing tort complained of in the present case.

The Cause Of Action Accrued Within The Statutory Period

This action was filed June 6, 1958 and since the cause of action did not accrue prior to June 6, 1956, the action for misappropriation of the Monolith disclosure is not barred. Appellant's cause of action could accrue only when it became aware of Kaiser's adverse use of the disclosure. The earliest Monolith could have become aware of Kaiser's adverse use was October, 1956 when Kaiser submitted to it a preview of advertisements about to be published offering the Kaiser UNITAB brick to the public. The trial court stated as to the effect on Monolith of seeing the October, 1956 advertisement (Memo of Decision, p. 110, R. 3669):

“It was then clear to plaintiff that Kaiser would not enter into a licensing agreement broader than the radial shim.”

Use by Kaiser of short shims prior to the October, 1956 advertisement was believed by Monolith not to be adverse and was considered entirely consistent with

Kaiser's evaluation of the Monolith disclosure. It is conceded by Kaiser that many trials are required to evaluate refractory materials as per the letter from Davis of Kaiser to Rentsch, dated July 8, 1955 (Ex. 950/GV).

As long as Monolith reasonably believed that Kaiser was evaluating the kiln linings using short shims to determine its interest in the Monolith disclosure, it follows that no cause of action arose. Only when Monolith knew or should have known that Kaiser planned to sell short shims without license from Monolith did a cause of action arise, *Pickford Corp. v. De-Luxe Laboratories*, (S.D. Cal. 1958) 161 F.Supp. 367, *Shearer v. Davis* (Dist. Ct. App. 1945) 67 Cal.App.2d 878, 155 P.2d 708.

CONCLUSION

The very size of the present brief is indicative of the unusual nature of the present case in which we ask this Court to review many rulings by the court below on vastly different points of law. We will not here attempt to repeat even in summary form all of the many instances in which we believe error to have been committed.

We do, however, want to make one observation by way of conclusion which is that our review of the records has brought us to the belief that defendants' success in convincing the trial court that the 1955 experimental uses by Riverside and Southwestern and the sales of short-shimmed brick for those uses were, first, statutory bars, which were, second, fraudulently concealed by appellant from the Patent Office was such as to cast appellant in the entirely inappropriate and erroneous role of not only an unreasonable and bad faith litigant but a perpetrator of fraud. Had the trial court correctly perceived the law with regard to these matters, we have no doubt that the trial would have proceeded in an entirely different manner than that reflected in the record before this Court.

A review of the entire record can only lead to one conclusion: that except for the disclosure by Monolith to Kaiser, the important advance in the art which eventually brought about the Unitab brick to the benefit of Kaiser and to the detriment of Monolith would not have occurred even though the district court found by hindsight that elements existed in the art which had been overlooked for ten years and might have been brought into play, but were not independent of the Monolith disclosure.

We regret that it has been necessary for us to impose on this Court the heavy burden of reviewing the many points raised in this brief and of making the necessarily attendant review of large portions of the record. However, we believe this extensive effort to be mandatory particularly in view of the erroneous finding of grievous misconduct, the enormous amount of the attorney fee award and the importance of the property misappropriated by Kaiser. Thus, for the reasons stated, we ask this Court to reverse the rulings of the district court on each of these issues and to reverse the grant below of costs to defendants.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

By LEWIS E. LYON

LEWIS E. LYON

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

MONOLITH PORTLAND MIDWEST
COMPANY, a Nevada Corporation

Appellant,

v.

KAISER ALUMINUM & CHEMICAL
CORPORATION, KAISER ALUMINUM
& CHEMICAL SALES, INC., GEORGE
C. DAVIS AND PALMER FORD,

Appellees.

VOLUME II
APPENDIX TO APPELLANT'S BRIEF

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Appendix, Part 1

LIST OF EXHIBITS

Prior to trial below, both parties were required to submit lists of exhibits with proposed numbers or letters for identification (see Pre-Trial Conference Order, page 61, Supplemental Record, page 94). These lists of exhibits are of record (R. 4710-4793 and R. 1598-1626). In view of the pretrial identification of all exhibits expected to be used at that time, many such exhibits were not used in the trial of the action below. Accordingly, set forth below are lists of appellant's and appellees' exhibits which were used in the trial of the action along with transcript page references to the place of identification of only those exhibits not earlier identified in the exhibit lists, and along with transcript page references to the place of admission or rejection of those exhibits tendered.

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
1	PS			5404
2	V			5405
3	U			5405
4				5444
5				5444
7				5713
9				5713
10				5484
14				5407
16				3712
17				8223
19	K			5430
20				5430
22				3711
24			5434	
31				6514
36				5488
39				5488
40				5488
42				5489
54				5492
55				5492
56				5492
57				5492
58				5492
59				5492
60				5492
61				5492
62				5492
65				1426

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<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
66				1426
67				1426
68				1426
69				1426
70				1426
71				5036
72				5311
73				5493
75			12199	
83				5684
84				5684
85				12211
99			5496	
100			5497	
101	BW			4049
102			3184	
103	CJ		3185	
105	CV			7209
106	DA			984
107	DB			2130
109	DC			3169
110	DG			1245
111	DI			1245
112	DK			3169
113	DL			3169
114	DM			1006
115	DN			12146
116	DO			3169
117	DP			2128
118	DQ			1245
119	DS			1245

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<u>Appellant's Exhibits</u>	<u>Appellees' Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
120	DT			1245
121	DV			3169
122	DW			3169
123	DX			4087
124				1245
125				5499
126(669)	DY			1245
127	DZ			1245
128	EB			3169
129	EC			4099
130	ED			3169
131	EE			5156
132				1245
133				1245
134				1245
135	EF			3169
136	EJ			3169
137	EK			11855
138	EL			12149
139	EM			12149
141	EP			1045
142	EQ and EU			4079
143	ER			4079
144				5507
145	ET			1046
146				1047
147	EV			3169
148	EY			12149
149	FB			3824
153				5511
154				3825

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<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
155				1048
156	FF			5512
157	FG			5517
158	FH			4099
159	FI			5524
160	FJ			5766
162	FL			5525
165	FM			5096
166				5525
167	FN			4096
169	FP			3169
170				3169
171	FQ			3169
172	FR			3169, 5062
173				3169
179				3848
181				3169
183	FZ			5062
184				3169
185	GB			5528
186	GA			5062
187	GD			12159
190	GH			3169
191				3169
192	GI			2118, 3169
193	GJ			5529
194	GIX			5062
195				3169
196	GM			3169

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
197	GP			3169
198	GN			3169
	and GO			
199				3169
200	GQ			5530
201	GR			1604,
				3169
203				3169
204				2216
204-A				3856
205				5530
207	HF			5533
208	HG			5062
209				3169
210				3169
211				5535
213	HO			3169
214			5540	
215			5540	
220	HT			5548
221			5553	
222	HZ			5557
223	HY			5062
225	IJ			3169
226	IE			3169
227				3169
228				3169
229	IH			3169
231	IL			3169
232				2272
232-A	IR			2273

LIST OF APPELLANT'S EXHIBITS

Appellant's Exhibits	Appellees' Corresponding Exhibits	For Identification	Rejected	Admitted In Evidence
232-B	IR	2273		2273
235	IY			3169
238				5559
239				3169, 5062
240	IZ			3169
241				3169
242	JD			3169
244				3169
245				3169
246				3169
247				5563
248				2216
250			5570	
252				5567
254				7209
255				3170
256				5062
257				5062
258				3170
259				3170
261	JV			5567
264			5575	
265	JX			2216
266			5577	
267				3170
268				3170
270				3170
271				5567
272			5579	
273				3170

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
274			5583	
276	JZ			3170
277			5585	
278	KA			2215
280				5567
282				5567
283				5567
284	KF			3170
286			5588	
289			5603	
290				12248
293	KI			3170
295				3170
296	KJ			3170
297				5616
300			5616	
301	KR			3170
304				3170
308				5619
316				3170
317	LP			3170
318	LP			3170
319				3170
320				5620
322	MB			3170
325			5634	
330				5635
331	MI			5567
332				5062
334				3170
338	MQ			3170

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
339, 341				5567
343				3911
344				3912
347, 348			5638	
349	MX			5567
352	NB			3170
369, 380			5640	
382				5062
383				5642
384			5644	
389				12251
390, 393				3170
395				3170
403			5645	
404			5646	
406				3667
409			5648	
410			5649	
411				5650
412				5062
418			5651	
419			5651	
421			5652	
424			5652	
442	NS			3170
455				5658
459	NT			3170
476				5062
479				3170
496				5659

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
498				5567
506				12252
507				5660
508				5567
510			5661	
530			5687	
533				6494
537				6494
539(1010)				5685
542		5688		
543			5689	
545				1275, 4372
545-A		4268	4260	
551				4553
552				1278
585				5944
587-A				5693
587-B				5693
587-C				5693
587-D				5693
588-A		2473		5694
588-B		2473		5694
588-C		2474		5694
588-D		2474		5694
588-E		2475		5694
588-F		2476		5694
588-G		2476		5694
588-H		2476		5694
588-I		2477		5694
588-J		2477		5694

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
595				5694
596				2460
597				2461
599-A		3438		3449
599-B		3438		3449
599-C		3438		3449
599-D		3438		3449
599-E				3449
599-F				3449
603			12255	
608			5704	
609	FE			8874
654	LO			10627
666	CZ			971
667 and 113				3169
671				2292
678				11400
679	FA			1385
680				10229
681	GK			2016
686	LD			9035
687	LF			9035
689	LG			9066
690				12255
692	LS			8874
694	PR			9397
696				10086
697				10086
698				12255
699				12255

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
700				11400
701				11400
702				12255
703				11400
704				10086
705				11400
706				12255
707				12255
718			12259	
719				2292
736	HR			8874
737	HQ			8873
738	HP			8872
742	GL			1826
743	GJX			8874
744	GC			1782
758	KX			2292
763	KQ			9035
765	KP			8896
766	KO-1	8847		11400
	KO-2	8847		8893
773	JU			9553
774				10086
775				10086
776	JP			9397
782	GS			2016
791				12260
792				12260
793				12260
800				12260

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
801				9553
802				9553
803				9553
804				9553
810	PP			9783
815	MH			9553
817	LU and LV			5707
819	NW			9553
821			12260	
822	NP			9397
823	NQ			9553
824	NR			9553
831	NU			9553
835	NV			9553
840	OC			9553
842				12261
847	OF			9553
850	OH			9553
852	OI			9397
854	OK			9553
855	OP			9553
856	OT			9553
860	OZ			9553
861	PA			9553
862	PC			9553
864	PE			9553
866	PG			9553
873	PL			9553
876				12264
880	NN			9397

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
883	NO			9397
891	NX			9553
893	OA			9553
898				2292
907	ON			9553
914				11400
920				9278,
				11400
923				9397,
				9553
926	NL			9397
933			12270	9553
945				12524
950	GV			2136
951	GW			2129
952	GY			2119
953	HH			1765
955	HK			2257
956	IF			2258
957	IK			2260
958	IM			2261
959	IP			2262
960	IW			2274
962	IX			2274
963	JB			2275
964	JK			2275
965	JL			2277
966	JM			2279
967	JN			2278
968	JO			2279

LIST OF APPELLANT'S EXHIBITS

Appellant's Exhibits	Appellees' Corresponding Exhibits	For Identification	Rejected	Admitted In Evidence
969	JQ			2280
970	JR			2157
971	JT			2173
972	JZ			2281
979				2292
986	NI			2292
997	PM			9553
999	PN			9397
1007				1765
1009		855		1430
1010(539)				5684
1016				11400
1029				4547
1030				4510
1031				4547
1032				4547
1033				4510
1047		4372		
1061		1902		4534
1062		2227		2296
1063		4262		4591
1064		4262		4591
1065		4262		4591
1066				2502
1067				3090
1067-A				3090
1068				3981
1069		4402		4452
1070		4495		4547
1071		4778	4780	

LIST OF APPELLANT'S EXHIBITS

<u>Appellant's Exhibits</u>	<u>Appellees' Corresponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
1072				6120
1073				6120
1074		6645		
1075		6673		
1076		7348		7349
1077		7348		7349
1078		7889	7889	
1079		8124		
1080		9579		9579
1081		9579		9579
1082		9579		9579
1083		11239		
1084		11746		
1101	FU	12144		12231
1102	FV	12144		12231
1103	FX	12145		12231
1104	GE	12144		12231
1111			12234	
1112			12236	
1118			12243	
1122			12245	
1124			12248	
1125			12248	
1128			12248	
1141	AN	8148		12116
1144	AO	8148	12127	

LIST OF APPELLEES' EXHIBITS

<u>Appellees' Exhibits</u>	<u>Appellant's Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
G				11604
J				12114
K	19			5430
L				6020
M				6020
N				6020
O				6020
P	1212			6020
Q				6020
R				11604
S				8315
U	3			5405
V	2			5405
X	1225			11937-B
Y				7442
Z				7442
AA, AA-1				6020
AB				6020
AC				6020
AD				6020
AE				6020
AF				6858
AN	1141			12116
AO	1144	8148	12127	
AP				6020
AQ				6020
AR				6020
AS				6020
AU	1217(1240)			11297
AY				9800
AZ				9800

LIST OF APPELLEES' EXHIBITS

<u>Appellees'</u> <u>Exhibits</u>	<u>Appellant's</u> <u>Corres-</u> <u>ponding</u> <u>Exhibits</u>	<u>For</u> <u>Identification</u>	<u>Rejected</u>	<u>Admitted</u> <u>In</u> <u>Evidence</u>
BA				9800
BC				6117
BD				6117
BE	1142			6858
BF	1143			6858
BH	1239			6144
BI				6117
BJ	1148			6858
BK				6858
BL				6863
BM	1152			6858
BN	1186			6858
BO	1187			6858
BQ	1185			6858
BR			12131	
BS	1150			6863
BT			12131	
BV			12131	
BW	101			4049
BX	1191			5099
BY	1192			6858
BZ	1189			6858
CA	1190			6858
CB				11855
CC				6806
CD				11855
CE				6130
CF				6806
CG	1206	6317		6324
CH			12137	
CI				6806

LIST OF APPELLEES' EXHIBITS

<u>Appellees' Exhibits</u>	<u>Appellant's Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
CJ			12140	
CK				6806
CL				6806
CM				6806
CN			12140	
CO				6806
CP				6117
CQ				6806
CR	1226			6117
CS				6806
CT				6117
CU				6117
CV	105			7209
CW	1195			12144
CY				6806
CZ	666			971
DA	106			984
DB	107			2130
DC	109			3169
DE	1208			6311
DF	1209			6206
DG	110			1245
DH	1197			12144
DI	111			1245
DJ	1207			6303
DK	112			3169
DL	113			3169
DM	114			1006
DN	115			12146
DO	116			3169
DP	117			2128

LIST OF APPELLEES' EXHIBITS

<u>Appellees' Exhibits</u>	<u>Appellant's Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
DQ	118			1245
DR				6117
DS	119			1245
DT	120			1245
DV	121			3169
DW	122			3169
DX	123			4087
DY	126			1245
DZ	127			1245
EB	128			3169
EC	129			4099
ED	130			3169
EE	131			5156
EF	135			3169
EG	1198			12144
EI	1199			12144
EJ	136			3169
EK	137			11855
EL	138			12149
EM	139			12149
EN	140			12149
EO	1193			6858
EP	141			1045
EQ	142			4079
ER	143			4079
ES	1200			12144
ET	145			1046
EU	142			4079
EV	147			3169
EW				10202

LIST OF APPELLEES' EXHIBITS

Appellees' Exhibits	Appellant's Corres- ponding Exhibits	For Identification	Rejected	Admitted In Evidence
EX				4096
EY	148			12149
FA	679			1385
FB	149			3824
FD				8874
FE	609			8874
FF	156			5512
FG	157			5517
FH	158			4099
FI	159			5524
FJ	160			5766
FK	163			12153
FKX	161			12153
FL	162			5525
FLX	164			12154
FM	165			5096
FN	167			4096
FO	168			12157
FP	169			3169
FQ	171			3169
FR	172			3169, 5062
FU	1101			12144
FV	1102			12144
FX	1103			12145
FY	180			12158
FZ	183			5062
GA	186			5062
GB	185			5528
GC	744			1782

LIST OF APPELLEES' EXHIBITS

<u>Appellees'</u> <u>Exhibits</u>	<u>Appellant's</u> <u>Corres-</u> <u>ponding</u> <u>Exhibits</u>	<u>For</u> <u>Identification</u>	<u>Rejected</u>	<u>Admitted</u> <u>In</u> <u>Evidence</u>
GD	187			12159
GE	1104			12144
GH	190			3169
GI	192			2118, 3169
GIX	194			5062
GJ	193			5529
GJX	743			8874
GK	681			2016
GL	742			1826
GM	196			3169
GN	198			3169
GO	198			3169
GP	197			3169
GQ	200			5530
GR	201			1604
GS	782			2016
GT	782			1760
GV	950			2136
GW	951			2129
GX				8874
GY	952			2119
HA	740			11400
HF	207			11856
HG	208			5062
HH	1007			1765
HK	955			2257
HO	213			3169
HP	738			8872
HQ	737			8873

LIST OF APPELLEES' EXHIBITS

<u>Appellees' Exhibits</u>	<u>Appellant's Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
HR	736			8874
HT	220			5548
HW				5129
HY	223			5062
HZ	222			5557
IE	226			3169
IF	956			2258
IH	229			3169
IJ	225			3169
IK	957			2260
IL	231			3169
IM	958			2261
IP	959			2262
IQ				5129
IR	232			2273
IV				5129
IW	960			2274
IX	962			2274
IY	235			3169
IZ	240			3169
JB	963			2275
JC	1211			6304
JD	242			3169
JE				11400
JK	964			2275
JL	965			2277
JM	966			2279
JN	967			2278
JO	968			2279
JP	776			9397

LIST OF APPELLEES' EXHIBITS

Appellees' Exhibits	Appellant's Corres- ponding Exhibits	For Identification	Rejected	Admitted In Evidence
JQ	969			2280
JR	970			2157
JS	683			8874
JT	971			2173
JU	773			9553
JV	261			5567
JW	772			12165
JX	265			2216
JY				1403
JZ	276			2281
	and 972			
KA	278			2215
KB	1194			6858
KC	1153			11865-A
KD	1154			11865-A
KF	284			3170
KG	1156			11865-A
KI	293			3170
KJ	296			3170
KN	684			11856
KO-1	766	8847		11400
KO-2		8847		8893
KP	765			8896
KQ	763			9035
KR	301			3170
KS	650			10627
KT			12172	
KU			12172	
KV			12172	
KW			12172	
KX	758			2292

LIST OF APPELLEES' EXHIBITS

Appellees' Exhibits	Appellant's Corres- ponding Exhibits	For Identification	Rejected	Admitted In Evidence
KY			12172	
KZ			12172	
LA	651			10627
LB			12172	
LD	686			9035
LE	754			9035
LF	687			9035
LG	689			9066
LH	1168			11865-A
LI	981			10086
LL	652			10627
LM	655			10627
LN	653			10627
LO	654			10627
LP	317			3170
	and 318			
LS	692			8874
LT	656			10627
LU	817			5705
LV	817			5705
LW				9553
MB	322			3170
MC	323			11856
ME			12186	
MF	982			11400
MG	982			11400
MH	815			9553
MI	331			5567
MK	1172			11400
ML				11400
MM	1173			11400

LIST OF APPELLEES' EXHIBITS

Appellees' Exhibits	Appellant's Corres- ponding Exhibits	For Identification	Rejected	Admitted In Evidence
MN	657			10627
MO	659			10627
MP	658			10627
MQ	338			3170
MR			12186	11400
MT	1175			11865-B
MU	661			10627
MV	663			10627
MW	662			10627
MX	349			5567
MY, MZ			12186	
NB	352			3170
NC	664			10627
ND	665			10627
NF			12186	
NG			12186	
NI	986			2292
NJ	924			11856
NL	926			9397
NN	880			9397
NO	883			9397
NP	812			9397
NQ	823			9553
NR	824			9553
NS	442			3170
NT	459			3170
NU	831			9553
NV	835			9553
NW	819			9553
NX	891			9553
NY	1181			11865-C

LIST OF APPELLEES' EXHIBITS

<u>Appellees' Exhibits</u>	<u>Appellant's Corres- ponding Exhibits</u>	<u>For Identification</u>	<u>Rejected</u>	<u>Admitted In Evidence</u>
NZ	838			12190
OA	893			9553
OB	1182			11865-C
OC	840			9553
OF	847			9553
OG	848			7598, 11400
OH	850			9553
OI	852			9397
OJ	1227			11874-A
OK	854			9553
OL	1213			11937-A
OM				11874-A
ON	907			9553
OO	1230			11874-A
OP	855			9553
OQ			12187	
OR			12187	
OS	1203 and 1215			11937-A
OT	856			9553
OU	1214			11937-A
OV	1218			11937-A
OW			12189	
OX	1219			11874-A
OY	1236			9553
OZ	860			9553
PA	861			9553
PB	1221			11937-A
PC	862			9553
PD				9553
PE	864 and 1234			9553

LIST OF APPELLEES' EXHIBITS

Appellees' Exhibits	Appellant's Corres- ponding Exhibits	For Identification	Rejected	Admitted In Evidence
PF	865			11400
PG	866			9553
PH	1222			11400
PI	867			11400
PK	1223			11937-B
PL	873			9553
PM	997			9553
PN	999			9397
PP	810			9783
PQ				11400
PR	694			9397
PS	1			5404
PT			12186	
PU			12186	
PW		1720		11604
PZ				11604
QA				7443
QD				2016
QE				6954
QF				7603
QG				7598
QJ		842		5104
QK		842		5104
QL		842		5104
QM		842		5104
QN		1515		1516
QO		1525		1528
QP		1529		1529
QQ		1938		
QR		2409		
		2525		

LIST OF APPELLEES' EXHIBITS

<u>Appellees'</u> <u>Exhibits</u>	<u>Appellant's</u> <u>Corres-</u> <u>ponding</u> <u>Exhibits</u>	<u>For</u> <u>Identification</u>	<u>Rejected</u>	<u>Admitted</u> <u>In</u> <u>Evidence</u>
QS		2413, 2521		
QT		2523		
QU		2523		
QV		2523		
QW		2523		
QX		2523		
QY		2524		
QZ		2524		
RA		2525		
RB		2525		
RC		2525		
RD		2525		
RE		2525		
RF		2525		
RG		2526		
RH				3267
RI				3442
RJ		3479		3487
RK		3487		3582
RL		3487		3582
RM		3027		3115
RN		4803		9640
RO		4805		9642
RP		4817		5762
RQ		4823		9639
RR		4842		
RS		4829		6992
RT		5669		5684
RU		6035		6035
RV		7744		12035

LIST OF APPELLEES' EXHIBITS

<u>Appellees'</u> <u>Exhibits</u>	<u>Appellant's</u> <u>Corres-</u> <u>ponding</u> <u>Exhibits</u>	<u>For</u> <u>Identification</u>	<u>Rejected</u>	<u>Admitted</u> <u>In</u> <u>Evidence</u>
RW				9688
RX		11092		11092
RY		11298		11874-A
RZ				12571

LIST OF APPELLEES' EXHIBITS

<u>Appellees'</u> <u>Exhibits</u>	<u>Appellant's</u> <u>Corres-</u> <u>ponding</u> <u>Exhibits</u>	<u>For</u> <u>Identification</u>	<u>Rejected</u>	<u>Admitted</u> <u>In</u> <u>Evidence</u>
(Post Trial Transcript pp.)				
RZX				107
SB				109
SC				110
SD				110
SE, SF				110
SG				111
SH		112		
SI				113, 116
SJ				116

Appendix, Part 2

Diagram from pp. 8-9 of Booklet — label Illustration A

Photographs (Figs. 4 and 5) — label Illustrations B & C

Brick and Shim drawings (pp. 000099-000100) — label
Illustrations D & E

Kaiser Brochure — label Illustration F

KAISER REFRACTORIES FOR APPLICATION IN THE CEMENT INDUSTRY

WARRANTY OR NOSE-RING
Temperature 150°F - 2200°F.
Usage Unimportant
Damage Moderate to severe
Reason Moderate to severe
Buyer's Name _____
City or B.G. Savage S.M.
Buyer's Max. mul _____
Date _____

COOKING HOOD
 Temperature: up to 2400°F.
 Sealing: Unimportant
 Sealing: Moderate
 Reason: Unimportant
 Seal-Bond
 Rex or Big Savage
 Gas-Crete Coarse
 (openings only)
 Coast
 (openings only)

COOLING ZONE
Temperature up to 2500°F.
Slagging Unimportant
Spalling Slight to severe
Abrasion Moderate to severe
Jay Bee Maxumil
Rajah S.M.
Arlex or Big Savage S.M.

BURNING ZONE
Temperature: up to 2900°F.
Slagging: Severe
Spalling: Moderate to severe
Abrasion: Moderate to severe
Unstab
Alumex-70 and 70E
Alumex-80

INTERMEDIATE ZONE
Temperature, up to 2400°F.
Slagging: None to moderate
Spalling: Slight to severe
Abrasion: Moderate to severe
Rajah
Jay Bee S.S.
Axtex or Big Savage S.M.
Mo-Rex or Big Savage

DRYING ZONE
Temperature:
up to 1800° F.
Slagging. None
Spalling:
Moderate to severe
Abrasion:
Slight to severe
Aztex or Big Savage S.M.
Mo-Rex or Big Savage
Hi Strength
(for chain section)

FLUE STACK
Temperature: up to 1300°F.
Slagging: None
Spalling: Unimportant
Abrasion: Slight
Mo-Rex
Yiking or Big 4

CLINKER CHUTE
Temperature: up to 2200° F.
Slagging: None
Spalling: Moderate to severe
Abrasion: Severe
Axtex
Thor or Big 4 S.M.

COOLER-GRATE TYPE
Temperature: up to 1600°F.
Slagging: None
Spalling: None to severe
Abrasion: None to severe
Axtex or Big Savage S.M.
Mo-Rex or Big Savage
Thor
Viking
Max-Bond
Mexicast
Furnas-Grate

COOLER - ROTARY TYPE
Temperature: up to 2000° F.
Slagging: None
Spalling: Moderate to severe
Abrasion: Severe
Artex or Big Savage
Thor or Big 4 S.M.

RAW MATERIAL DRIER
Temperature: up to 1200°F.
Slagging: None
Spalling: Moderate
Abrasion: Moderate to severe
Artex or Big Savage S.M.
Mo-Rex or Big Savage

DUST CHAMBER
Temperature, up to 1300° F.
Slagging: None
Spalling: Unimportant
Abrasion, Slight to moderate
Thor
Artex or Big Savage S.M.
Mo-Rex or Big Savage
Furnas-Crete

These recommendations apply to most rotary cement kilns. Where unusual conditions of operation exist, your Kaiser Refractories representative will be happy to assist in determining the most economical and efficient lining for your kiln.

Illustration A (see Brief, p. 5)



Illustration B (see Brief, p. 7)

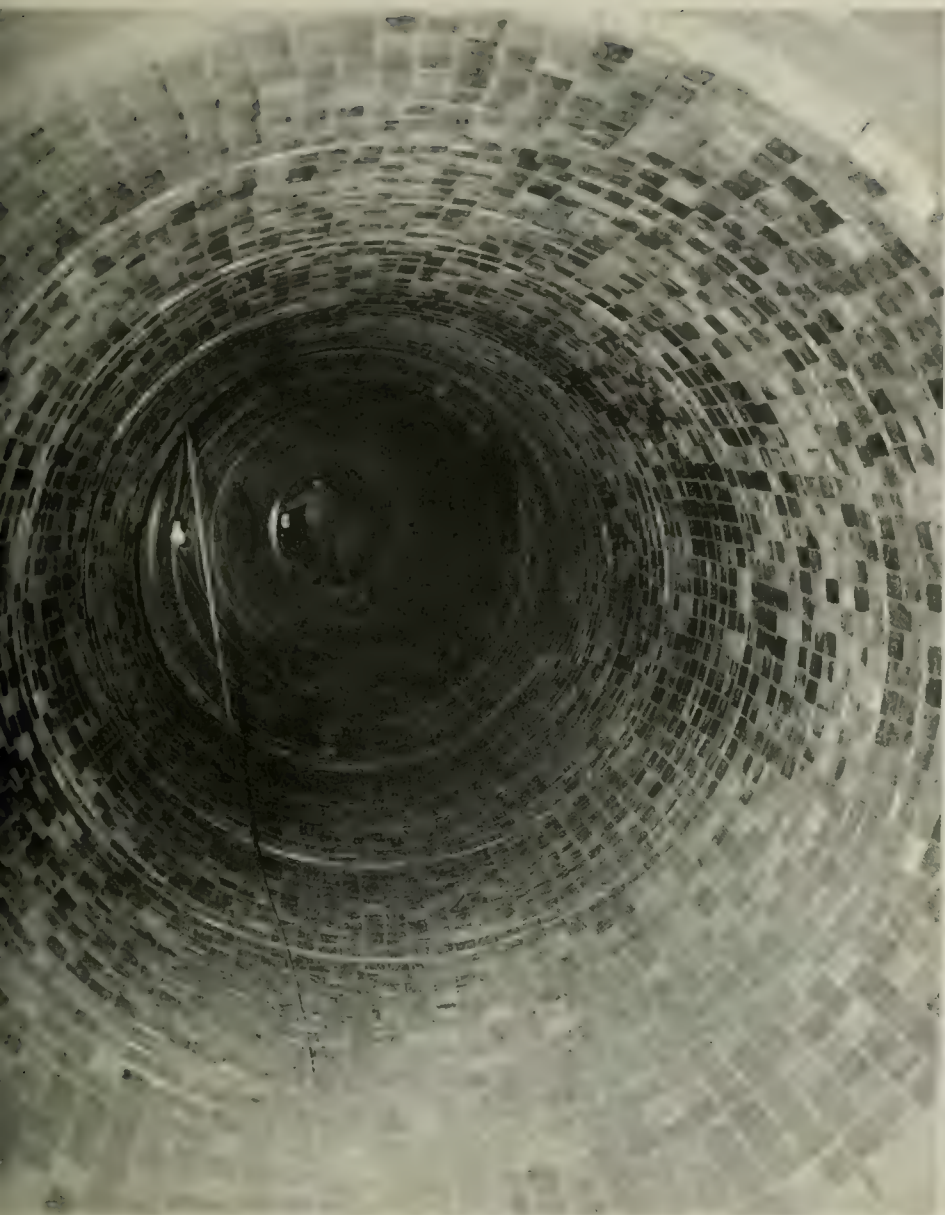
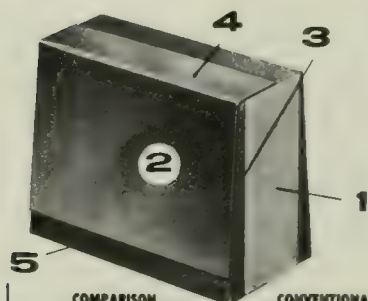


Illustration C (see Brief, p. 7)

Here's why you can reline in half the time with

Kaiser Unitab Kiln Liners*

Each of these five comparisons shows another Unitab Liner installation advantage!



COMPARISON	CONVENTIONAL BRICK	KAISER UNITAB LINERS	UNITAB LINER FEATURE
Cardboard spacers for longitudinal expansion	Install by hand	Attached to brick at factory	Combustible spacer automatically provides correct allowance for longitudinal expansion (between rings)
Steel plates between bricks for bonding	Install by hand	Attached to brick at factory	Bonding shim to liner assures automatic placement of shim
Provision for circumferential expansion	Install cardboard spacers by hand	Expansion provided by thickness of adhesive that bonds shim to brick	Thickness of combustible adhesive provides correct allowance for circumferential expansion (within ring)
Hot face indicator	No hot face indicator	Clearly identified by touch or sight	Plate overlapping hot face makes visual inspection quick—easy to see that each brick is correctly installed
Effect on reducing shell temperature	None	Design provides heat buffer to reduce shell temperature	Half-inch gap between end of shim and shell acts as heat buffer to reduce shell temperature for greater kiln efficiency

* U. S. Patent No. 2,868,077

Savings up to 50% on installation time have already been reported by operators using Kaiser Unitab Liners, the industry's first kiln liners with bonded shims and spacers.

Because the shim overlaps the hot face of the liner, the hot face is easily identified by sight or touch . . . makes installing Unitab liners almost as simple and as fast as lining up books on a shelf!

In addition, as this overlapping shim melts and oxidizes, feed particles combine with it to give you a tight coating—fast.

Unitab Liners are made with Kaiser Periclase Chrome burned brick. Since 1945 this brick has pioneered every major improvement known today in basic liners for rotary cement kilns. Now with shims and spacers added it becomes the most advanced basic hot zone liner in the industry, coupling outstanding performance with easy, fool-proof installation.

Why not let us show you how this original Kaiser Chemicals development can help you reduce kiln down time and give you improved hot zone service?

Enter 1496 on Reader Card



PIONEERS IN MODERN BASIC REFRACTORIES
BASIC REFRACTORY BRICK AND RAMMING MATERIALS • DOLOMITE
MAGNESIAS • ALUMINA • MAGNESITE • PERICLASE

Call or write Kaiser Chemicals Division, Dept. Cx522, KAISER ALUMINUM & CHEMICAL SALES, INC. at any of the Regional Offices listed below.

PITTSBURGH 22, PA
HAMMOND, IND
OAKLAND 12, CALIF

3 Gateway Center
518 Calumet Building
1924 Broadway

Illustration F (see Brief, p. 9)

Appendix, Part 3 (see Brief pp. 11 & 60)

(Tr. 5040-5069 from Transcript Vol. 42)

MR. ELLIOTT: I so accept it. I will proceed now with the identification and the varying and spacing that Mr. Rieber represents to find out what this witness knows about it.

THE COURT: All right.

BY MR. ELLIOTT:

Q Mr. Woodward, directing your attention to the 1955 Kaiser orders, the three orders that you told us about in 1955 of short shimmed linings, the first lining was in April, as I remember it; the order. Can you tell us what the amount of spacing was of the shim from the cold face of the brick in that order?

MR. RIEBER: This has all been covered, your Honor, in the question and answers yesterday. The witness went into great detail —

THE COURT: It seems to me it was.

MR. ELLIOTT: I don't see it in the transcript.

THE COURT: Go ahead then.

THE WITNESS: One-half inch.

BY MR. ELLIOTT:

Q All right. Now, what is your spacing in your orders — strike that, please.

What was your spacing in your orders between the 1955 orders and the 1961 order in September? Was it different from half an inch?

[Tr. 5041] **A** The 1961 order was one-quarter of an inch.

Q Did you have any orders between your third order in '55 and the September 1961 order?

A Yes.

Q What was that?

A The lining to be such that the steel shims will not touch the kiln shell.

Q When the order was delivered, what was the amount of spacing?

A To the best of my knowledge it was about a half inch — a quarter to a half-inch.

THE COURT: When was this?

THE WITNESS: Between 1955 and 1961.

THE COURT: I see. All right.

BY MR. ELLIOTT:

Q Now, Mr. Woodward, have you ever heard the name GR-23 applied to a refractory article for use in a rotary cement kiln?

A Yes.

Q Could you tell us what your understanding is of that term as applied to a physical article?

A That is an insulating brick. A GR-23 is the designation of the temperature which that brick will withstand.

Q In hundreds of degrees Fahrenheit?

[Tr. 5042] A In hundreds of degrees Fahrenheit.

Q Who made that brick, Mr. Woodward, if you recall?

A To the best of my knowledge it was Armstrong Cork Company.

Q Can you tell us what the composition of that brick was, the GR-23?

A No more than that it is a very porous brick made out of a refractory material.

Q Was it, as far as you could tell, substantially uniform; or was there more than one composition in the brick?

A So far as I know, it was uniform.

Q Did you use such a brick in your kilns?

A Yes.

Q Where in your kilns did you use it?

A In the cold end down approximately a third of the length of the kiln.

Q About 140 feet?

A That's about right.

Q That's from the discharge end?

A No, from the — well, in our particular kilns that would put it just about in the middle there.

Q It would be about 140 feet from either end then?

A From either end, but towards the cold end.

Q Was that uphill of the calcining zone?

A Yes.

[Tr. 5043] Q So you used the term cold end to refer to the —

A Feed end.

Q And then you used another kind of brick in the calcining zone, did you?

A Yes.

Q And what kind of brick was that?

A That is 70 percent alumina, 50 percent alumina, and also first quality fire clay brick.

Q Turning back to your 1955 orders of Kaiser short shimmed Periclase chrome A burned brick, you told us yesterday you ordered three, 40-foot linings in the year 1955?

A Yes.

Q I wonder if you could tell us how many linear feet of such brick you put into the first kiln installation that you made after you received the first order of Kaiser brick?

A Well, to the best of my knowledge it was somewhere between 15 to 20 feet.

Q Does 16 feet, the figure 16 feet, ring a bell?

A That could have been it.

Q Do you recall which kiln that was installed in, sir?

A As I remember, it was No. 8 kiln.

Q Now, after the installation in No. 8 kiln of approximately 16 feet of these Kaiser articles, did you thereafter make another lining installation in 1955 using such articles?

[Tr. 5044] A Yes.

Q And can you recall which kiln that went into?

A No, I can't.

[Tr. 5045] Q At that time you had eight kilns, didn't you?

A Yes.

MR. RIEBER: Your Honor, this material is covered in the stipulation as to what Mr. Woodward would testify to.

THE COURT: In 1955, it certainly is.

MR. RIEBER: I don't see the reason for going through it. If he is trying to impeach the stipulation —

MR. ELLIOTT: Let me explain, if I can, and perhaps quiet counsel's apprehension.

THE COURT: All right.

MR. ELLIOTT: Mr. Woodward testified that three 40-foot lineal foot measurement linings were ordered, making 120 linear feet of brick. As far as I can tell from the stipulation, from the documents, and so forth, that Kaiser had available, approximately $29\frac{1}{2}$ or 30 feet of brick was actually installed in the year 1955. Because we stipulate to one lining of 16 feet, approximately, and one of $13\frac{1}{2}$ feet. And I just want to —

THE COURT: You asked him yesterday whether or not this 40 feet of lining made up the lining for eight kilns or eight linings, and he said yes.

MR. ELLIOTT: That I understood to be a hypothetical lining, your Honor, of a burning zone 40-foot long. The question is how many bricks actually went into [Tr. 5046] the kiln at any one time, was it a complete burning zone lining? And that's what I was trying to explore.

THE COURT: Go ahead.

BY MR. ELLIOTT:

Q Mr. Woodward, the 16 feet of lining in your No. 8 kiln, was that a complete burning zone lining?

A No.

Q Do you recall whether any other brick was placed in the No. 8 kiln concurrently with the Kaiser short shim brick when you put the 16 feet in, in May of 1955?

A There was 10 inches of 70 per cent alumina brick put in at that time.

THE COURT: How much?

THE WITNESS: 10 inches.

THE COURT: One brick, probably, is that right?

THE WITNESS: It would be — 70 per cent brick is 4 inches longitudinally along the length of the kiln shell, so that was about $2\frac{1}{2}$ brick wide.

THE COURT: Okay.

BY MR. ELLIOTT:

Q Without remembering which kiln it was, because you said you couldn't, the $13\frac{1}{2}$ — I beg your pardon. That is why I started asking him the question. I can't ask him if he has read the pretrial order.

Do you remember, Mr. Woodward, an installation [Tr. 5047] using $13\frac{1}{2}$ feet of these Kaiser articles in the month of July of 1955?

MR. RIEBER: Your Honor, I refer your Honor to page 54 of the pretrial order. The purpose of a stipulation like this is just to avoid long and time-consuming examination of details that seem to me are absolutely irrelevant.

MR. ELLIOTT: I want to go beyond the stipulation to find out what other brick, if any, were put in.

MR. RIEBER: Let me finish my statement, please, counsel.

The only purpose for which this evidence is material at all is to show whether or not these brick were on sale

during 1955. What happened to them after they were sold is immaterial to the point in question. That is the establishment of a statutory bar. We refer your Honor to the statute, which says that the statutory bar attaches when the brick are on sale. Now, when brick have been sold, obviously they were on sale, and it seems to me pointless to go into these long discussions of what happened to the brick afterward, and whether it was 13½ feet or whether it went into No. 8 or No. 2 kiln. It just doesn't make a whit of difference.

MR. ELLIOTT: I would like to argue that point.

THE COURT: All right. Go ahead.

[Tr. 5048] MR. ELLIOTT: Your Honor, our submission is now, as it was at the time of the summary judgment, that there has been no case like this case where a manufacturer having no facilities of its own to test or try out new articles that it wanted to see what the characteristics, and so forth, were in service, there has been no case like this where Kaiser, lacking the facilities, utilized its customers' rotary kilns as the vehicle for the experimental use of the particular article.

Now, it is our submission that in this case the evidence will show that the Kaiser Company did so utilize the rotary kilns of several of its customers in which to conduct experimental use of the refractory articles, which finally became known as the Unitab, and that this —

THE COURT: If you want to direct questions toward the idea that this is experimental, you can do so; but this doesn't get to it that you are asking him now.

MR. ELLIOTT: I think the word "experimental" might be a conclusion, your Honor. I think what I was —

THE COURT: I didn't say you had to ask him that term. But the thing is you have to direct your questions along that line, and this doesn't show it at all.

The testimony to now from Mr. Woodward is that it is the policy of their company to buy refractories from the various people who have them for sale; in other words, [Tr. 5049] they don't have only one supplier, they buy it from one or another. It is also the policy of the company to experiment. And as I take it from what he said, that they never cease to try out new things, and when they get somebody who sells them on the idea that this is a good thing, they try it.

That's where we are now. How that fits in I don't know, but you have to take it from there.

MR. ELLIOTT: Your Honor, I offer to prove that in at least some of these 1955 installations there were bricks laid in side by side for comparative testing purposes; the Kaiser Unitab bricks laid in, or the articles which were sold in 1955 before they were called Unitabs, laid in side by side with General Refractories' Rytex, some Magnex brick, some steel —

THE COURT: If you want to explore that, go ahead.

MR. RIEBER: I would like to speak to that. I don't think that is material or relevant to this case.

THE COURT: It all depends on whose experiment it is. If it is the experiment of Southwestern Portland Cement Company, then it hasn't anything to do with this case. If it is the experiment of Kaiser, it might.

MR. RIEBER: I think that foundation ought to be laid before we go into this.

THE COURT: I do, too.

[Tr. 5050] MR. RIEBER: In other words, to enable this witness to determine who was experimenting, if anybody, and then go into what the experiments were.

MR. ELLIOTT: I would like to find out what the facts of a particular lining were, your Honor.

THE COURT: We can't do that, Mr. Elliott, and I will tell you why. If we start going through all the linings of eight kilns over a period of several years, we would be here as long as we have already been here, and I don't see the materiality of it. It is just a hope that in the end something will show up.

MR. ELLIOTT: I have more than a hope.

THE COURT: I didn't want to be as blunt about this as I just had to be. But it is a fact that you have to show that this is Kaiser's experiment, if you are going to say it is an experimental use. And I think that anybody who has lived a while in any community where they are manufacturing things, everyone is always trying things out, I mean even after — after General Motors builds a car with a new device in it, it sells it to a lot of people and tries it out, but they still sold them.

MR. RIEBER: That's the point, your Honor —

THE COURT: I know. You don't have to gild the lily.

MR. RIEBER: I am not trying to gild the lily, but [Tr. 5051] I disagree with one point that you made, and that is that the experimentation of Kaiser's is in any way material or relevant to this case.

Kaiser hasn't claimed to have made this invention, not the invention that is in issue in this lawsuit, and it is only the experimentation by the inventor that could

possibly be relevant to this case. And that is the point that I have tried to make several times here, that —

THE COURT: I understand you, all right, but I am also trying to understand the plaintiff's view; and if he can get it done in some reasonable time I want him to do it.

MR. ELLIOTT: Your Honor, I can't find the official copy of the exhibit that I had in mind. I will hand up my copy of Exhibit 186, which is an April 27, 1955 call report by Palmer B. Ford, and I particularly direct the court's attention, before he goes into the detail of the report, to the paragraph that begins at the bottom of page 1.

My submission, your Honor, is this: As I apprehend it — I have looked carefully, as I say, and I don't think there is an authority squarely in point upon the situation, the factual situation in this case, which I think is unique. Whether Mr. Rieber is right in the law or I am right, I think I ought to have an opportunity to [Tr. 5052] explore the factual bases for what was done, and then at a later time the court will not be in doubt about what the facts were. It can properly apply whatever rule of law it does apply. But I think that I should have an opportunity to advance the evidence and support my theory of the law.

MR. RIEBER: May I answer that, your Honor?

THE COURT: I will tell you what we will do. We will take our morning recess at this time and I will reconvene with counsel and the reporter and the clerk in chambers.

MR. ELLIOTT: After the recess?

THE COURT: Yes.

(Recess taken.)

[Tr. 5053] (Whereupon the following proceedings were held in chambers.)

THE COURT: All right. Now, this question of experimental use is, as I understand it, applicable to the patent law, it is a situation wherein an inventor can manufacture his invention and try it out to see whether or not it works and so forth. That isn't going to be a bar. But it is not at all unusual, as I have already said, for companies manufacturing any products to experiment on the public. They sell the products, and it doesn't change the fact that they are sold. They haven't retained anything. It is not just purely experimental. They are financing the experiment by selling the product.

Now, here you don't have even the inventor doing it. You have someone you are accusing of being an infringer. The Davis patent isn't in suit. If it were, why then maybe there would be a question as to whether or not this was an experiment to build up the Davis patent. But since that is not in suit, I do not see how this could be any kind of an experiment. I think you are just in a position where you have to establish your patent cause of action. If you have a gap there, in other words, if it is contended on the motion for summary judgment that you abandoned an application and then came in with another one, and this is a use that fits the statute, why they are just out of luck on it. That is [Tr. 5054] all there is to it.

MR. ELLIOTT: I appreciate the court's comments.

THE COURT: I just don't think you can label this kind of a thing to any kind of an experimental use, because the experiment would be for the purpose of arriving at the best way for the Davis patent; and not for yours.

MR. ELLIOTT: Your Honor, I don't mean to argue with the court. I am aware of the fact that — for ex-

ample, I don't have any authority except the *Watson vs. Allen* case, 254 Fed. 2d in the District of Columbia. That was the automobile part case on experimental use. That is the closest thing I have to —

THE COURT: But that was by the people who owned the invention.

MR. ELLIOTT: Well, there was some dictum in that case, your Honor, that led me to my present view of wanting to prove up the facts, or at least perhaps if the court is averse to my making an offer of proof on it so we can make a clean issue. Then if that is not the law, if I can't persuade the court that that is, or should be the law, that perhaps I can raise it if we go up on an appeal to preserve the point.

THE COURT: I would like to have you get it into the case so that you could raise it on appeal if you wanted to. I don't mind that. But I don't think that we can [Tr. 5055] devote hours and hours to it. If this one letter, this memorandum, if that is what you are relying on, then I don't think — I don't know if there is going to be an objection of getting it in evidence or not.

MR. RIEBER: I was going to offer it during cross, your Honor.

THE COURT: So let's admit that in evidence, and you can base it on that if you want to. Otherwise you would have to have a court order to create the situation of experimental use. That is why I called you in here, because I don't want to tell the witnesses. You would have to have some showing of an agreement or understanding between Kaiser and Southwestern, for example, that they would like to put into their kilns, since they lack the facilities, and experimental lining which they think will be very good.

I am just imagining this now as a deal. I mean I can see a salesman with the authority of his company saying, "Now, this is an expensive installation. If you will take the risk of the down time that may be required because of the loss of the lining, if it doesn't work, then we will finance the lining initially. If it works, then you will pay us for it. If it doesn't work, why you don't owe us anything."

[Tr. 5056] Now, I can see such an arrangement. If you have any evidence of that with any of these people, then I would say, all right, go ahead and put it on, and I would listen to it just for that purpose. But if you don't, then I think you had better drop it, because I don't see how it fits in the first place. There is no legal theory that appeals to my mind as applicable to this kind of a situation under the law as I understand it.

MR. ELLIOTT: Well, I will just say that the evidence that I have, your Honor, consists of the Kaiser technical salesmen's call reports and interoffice memoranda of Kaiser dealing with their understanding among themselves, and their understanding with the two cement company customers, that they were in — perhaps loosely, but nevertheless in a real sense — joint experiments or trials of these linings; that the customers knew that they were guinea pigs or pigeons to try these out.

THE COURT: But they bought them. Up to now the evidence shows that these guys are just as interested in experimenting as anybody else, and they are willing to take the risk. It may be it is a pretty poor product that they would try to experiment with some time or another and lose the lining. On the other hand, they might find something good. So it is their experiment, and not the other fellow's. And even though they both admittedly [Tr. 5057] are in that position, it doesn't make any difference.

But when you speak about “experimental,” and use a word like that in a memo — prohibition is referred to as the grand experiment, and so forth, and I know it was one that had to fail and be abandoned.

MR. RIEBER: Your Honor, I think you put your finger exactly on what has happened here, and it is a matter of semantics. I don’t like to always argue that —

THE COURT: So let him put in what there is on that so he has got it. If you will just stipulate to put those in, all right. But if these fellows had any conversations or understandings with Kaiser salesmen on this, why, ask them about that, and if they did, then I think I would — I don’t think it is material, I agree, and you can make the objection, but I will overrule it just to give them the record so he can take it up and establish it if he wants to.

MR. RIEBER: Your Honor, I had concluded that several days ago, actually, and I felt this would go expeditiously, but it seems to me with two witnesses sitting here from Victorville who are anxious to get back, and the witnesses are piling up like a log jam, that we ought to try to avoid a long circuitous approach to the problem.

THE COURT: Be direct about it. Just ask them.

[Tr. 5058] MR. ELLIOTT: It not without difficulty asking — let me say this, your Honor. When all is said and done these people are our competitors. I have to take them as my own witnesses, and I am bound — we both know I am taking a risk here, and I am just not going to stick my chin all the way out the way counsel wants me to do. I want to close in on it. I don’t want to take two days to do it, but —

THE COURT: I am going to tell you what is going to be the result. The result is going to be that I have to

sustain the objections to it on the ground it doesn't meet any of the issues. I am willing to let you get it in if you do it in a hurry and get it over with.

I don't see where it would make any difference if you asked him, do you or do you know of anyone — or if this man is the one who contracts for brick, he is the one you ought to ask — “Did you ever have a conversation with Palmer Ford with regard to purchasing these bricks?” Maybe he will say “Yes,” or “No.”

And I hope you won't object to leading him a little bit. You have got a legal right to object, but I think he could ask him, “Did you have any agreement with him to the effect that this lining would be put in at Kaiser's request as an experiment for Kaiser?”

[Tr. 5059] If you want to ask that kind of a thing, and he says, “Yes,” why, then, you are in an area where you have to just explore what is being said.

MR. RIEBER: I would like to lay my cards on the table. I was going to ask that very question on cross if counsel didn't ask it. If he asks it on direct, I certainly wouldn't object to it.

THE COURT: Let's approach it that way. That doesn't hurt anything.

You have been talking to these men. Yesterday I came in around 8:00 or so, and you fellows were just drifting in, and you went into —

MR. ELLIOTT: I had half an hour, 45 minutes with him.

THE COURT: Everybody expects you to do that. I think a lawyer is a fool to put a witness on the stand that he has never even talked to in a situation as important as this. We expect you to do that.

If you were going to tip him off to something, you would have done it. We know that. We are all grown up boys.

MR. ELLIOTT: If I could tip him, and if he would tip.

THE COURT: That's what I say. You have had the opportunity and we are not worried about having it [Tr. 5060] out there in front of everybody. So let's ask him the question and be done with it.

MR. ELLIOTT: All right, your Honor.

On the Kaiser documents, of course, this man is not a percipient witness to the making of the documents. There are about a dozen Palmer Ford call reports that relate to Victorville, and I think by asking him I can —

THE COURT: Why don't you just pick those out and ask Mr. Rieber if he will have them admitted? If he does, then you can get them admitted and the whole thing is over with.

MR. RIEBER: I think some of them are already admitted.

THE COURT: And then he doesn't have to worry about it.

MR. ELLIOTT: This is a set (indicating). To the extent that they are not admitted, maybe we can do that. 172, 186 —

MR. RIEBER: Let me just call them off. There are no numbers on them.

MR. ELLIOTT: Take this set. They are down in the corner.

MR. RIEBER: 172, no objection.

186, no objection.

194, no objection.

[Tr. 5061] 208, no objection.

223, no objection.

239, no objection.

256, no objection.

257 — there doesn't appear to be any relevance, but we don't object to 257.

332, no objection.

382, no objection.

476, no objection.

412, there is no objection.

MR. ELLIOTT: I have one other that is not in the stack.

MR. RIEBER: May I keep these?

MR. ELLIOTT: Yes, you can keep that. Here is an Exhibit 183 that my understanding is that it refers to both Riverside and Southwestern, but it is an internal Kaiser document that relates to the point under discussion.

MR. RIEBER: All right. No objections to 183.

MR. ELLIOTT: You had better read the date up at the top.

MR. RIEBER: April 26, 1955, interoffice memorandum from J. T. Putnam to George C. Davis, Jr.

MR. ELLIOTT: I offer the admission into evidence of the exhibits just read off by Mr. Rieber as to which he has no objection.

[Tr. 5062] THE COURT: All right. They will all be admitted.

(The exhibits marked Plaintiff's Exhibits 172, 186, 194, 208, 223, 239, 256, 257, 332, 382, 476, 412 and 183 were received in evidence.)

[Tr. 5063] MR. ELLIOTT: Now, your Honor, I will ask then when we go back in just one or two questions along the line indicated by the court. I have one question on one other subject matter, and that will complete my examination of Mr. Woodward.

THE COURT: All right, fine.

(Whereupon the proceedings were resumed in open court as follows:)

THE COURT: All right, sir.

BY MR. ELLIOTT:

Q Mr. Woodward, you told us yesterday that before the first Southwestern brick order to Kaiser for short shims in April of 1955 you had spoken with Palmer B. Ford about that order. Do you recall that?

A Yes.

Q Was that discussion or conversation you had with Mr. Ford in the presence of any other person?

A Well, I think it was both with him, by myself, and with others too.

Q Do you recall discussing the subject matter in the presence of Mr. Halstead?

A Yes.

Q With Palmer Ford?

A Yes.

Q Did Mr. Palmer Ford, during either his discussion [Tr. 5064] with you and Mr. Halstead, or with you by

yourself, state directly or suggest to you that the installation, projected installation, of this short shimmed lining was to be an experiment on Kaiser's part in connection with the Southwestern Company?

A No, I wouldn't say it was that way. We have always tested different — well, in the case of bricks, different types of brick and other material which we use at the plant. We are always interested in a new idea or a new article.

Q Did Mr. Ford use the word "expirement" or "trial" in his conversation with you at that time?

A I don't recall.

Q Mr. Woodward, in February of 1955 prior to the discussion you had with Mr. Ford, I assume — incidentally, am I correct in that? Your order, the first short shimmed order, was in April of 1955?

A That's correct.

Q And how far before that order was your discussion with Mr. Ford that you have told us about?

A I don't recall exactly, but it was some time in the Spring of '55.

Q Within a month or so after the April order?

A Well, the "or so" part of it would be right.

Q Well, I would like to establish a cut-off date if [Tr. 5065] I can.

A Well, I don't think I can help you there. I mean we had these discussions. As to the exact time they took place, I can't remember.

MR. ELLIOTT: Your Honor, I would like to show the witness Exhibit 172 to try to refresh his memory on this date if I may.

MR. RIEBER: We have no objection, your Honor.

THE COURT: All right.

MR. ELLIOTT: I will just give him a plain copy instead of digging up the folder.

BY MR. ELLIOTT:

Q Would you please look at the March 15, 1955 document, Exhibit 172? I direct your attention, particularly Mr. Woodward, to the third paragraph which commences: "Halstead stated."

A Yes.

Q Have you read that?

A Yes.

Q Is that an accurate report so far as it goes of the conversation had in your presence with Mr. Halstead and Palmer B. Ford?

A Well, it is right. But we had numerous discussions like this with not only Mr. Ford, but others.

Q Well, I want to stay with Mr. Ford for the time [Tr. 5066] being. He gives me quite enough trouble by himself.

THE WITNESS: Well, that is about the extent of the conversation.

Q Well, my point is, Mr. Woodward, this a memorandum dated March 15, 1955 in which Mr. Ford reports to his superiors a conversation, which to me appears to cover the grounds that you told me about in having a conversation with Mr. Ford at about that time.

A Yes, that's right.

Q Without trying to lead you, you have read the paragraph, is it more probable than not, Mr. Woodward,

that this March 15 date is the date of the conversation with Mr. Ford that you discussed earlier?

A I think it is.

Q Now, as of February, 1955, Mr. Woodward, if someone had told you to construct a lining zone of a rotary cement kiln with bricks and metal plates, would you have been able to so construct such a lining?

A I don't know whether I follow you exactly.

Q Well, if somebody had told you, without specifying what kind or shape or size of brick, had told you to lay up a lining in a particular designated kiln, and had said, "Jack, put in a burning zone lining in there with brick with metal plates." Would you have understood that direction?

A Yes.

[Tr. 5067] Q How would you have laid it up if you laid one up? What would you have used in order to construct that lining?

A Well, at that time, the plates and brick would have been separate; a brick and a plate, and a brick and a plate around the circle, or the circumference of the kiln.

Q And what would the shape of the bricks have been?

A They would have been arch brick.

Q The arch brick is different than, say, a common red brick in configuration; is it not?

A That's right. Red brick can be arched though, too.

Q I beg your pardon, it can be. The arch brick is different in configuration from a rectangular brick; is it?

A Straight brick, yes.

Q Straight brick. The reason for the arch is to turn the circle within a rotary kiln; is that right?

A That's correct.

Q And so if you had laid up such a lining you would have used an arch brick with these separate metal plates?

A That's right.

Q Now, suppose someone had said at the same time, "Will you please construct a lining with brick with spaced metal plates, short shimmed, held away from the shell." Would you have understood that direction? Would you have been able to construct a lining?

[Tr. 5068] A Yes.

Q Would you have used the arch-shaped brick?

A Yes, we could have.

Q And what kind of brick would you have used?

A Well, —

Q As between, say, acid and basic?

A I might have used a basic brick. I might have used a high alumina brick.

Q With metal plates?

A Not with metal plates, no. With the basic brick, it might have been with metal plates.

Q My question assumed the direction to you to build a lining with metal plates and brick. That would have been basic brick then as I understand your answer?

A Metal plates are always used with basic brick.

Q Are they used with alumina brick?

A They have been. We did not use them.

Q So if somebody told you to construct a lining of refractory brick with metal plates, they would have been basic brick that you would have used?

A In all probability.

Q And if you had constructed such a lining with basic arch shaped brick and short shims, where would you have placed the shims if no direction had been given you as to their placement or orientation?

[Tr. 5069] A The shims would have just been dropped in.

Q In the circle?

A In the circle.

MR. ELLIOTT: Thank you, your Honor. Those are all the questions I have.

THE COURT: All right. Is it your desire now to adjourn?

MR. RIEBER: Yes, I would like to adjourn and start the cross examination immediately after reconvening, your Honor.

THE COURT: All right, we will adjourn until 2:00 o'clock. You said you wanted to talk to Mr. Elliott for a few minutes. I hope you can do that before that time.

Appendix, Part 4 (see Brief, p. 64)

Elizabeth v. American Nicholson Pavement Co. (1878)
97 U.S. 126, 24 L.ed. 1000, at 1004:

“Now, the nature of a street pavement is such that it cannot be experimented upon satisfactorily except on a highway, which is always public.

“When the subject of invention is a machine, it may be tested and tried in a building, either with or without closed doors. In either case, such use is not a public use, within the meaning of the statute, so long as the inventor is engaged, in good faith, in testing its operation. He may see cause to alter it and improve it or not. His experiments will reveal the fact whether any and what alterations may be necessary. If durability is one of the qualities to be attained, a long period, perhaps years, may be necessary to enable the inventor to discover whether his purpose is accomplished. And though, during all that period, he may not find that any changes are necessary, yet he may be justly said to be using his machine only by way of experiment; and no one would say that such a use, pursued with a *bona fide* intent of testing the qualities of the machine, would be a public use, within the meaning of the statute. So long as he does not voluntarily allow others to make it and use it, and so long as it is not on sale for general use, he keeps the invention under his own control, and does not lose his title to a patent.”

Appendix, Part 5 (see Brief, p. 77)

Hoge Warren Zimmerman Co. v. Nourse & Co. (6 Cir. 1961) 293 F.2d 779 at 784:

“Related to the above, since exceptional circumstances have been interpreted as incorporating concepts of fraud, malice, bad faith and other similar concepts, is the contention of defendants-appellants that they are entitled to damages commensurate with those awarded in cases of malicious prosecution. The gist of the argument in this respect may be subdivided into two aspects. One addresses itself to the application for the patent, that plaintiff knew, or should have known, that it could not get a valid patent and that it was guilty of various departures from honesty, or of subterfuge in obtaining the patent. The second aspect of this argument is that, at the very least, plaintiff-appellee was guilty of bad faith in having failed to conduct various tests, prior to the institution of the law suit, to analyze the basis for its infringement claim. Defendants-appellants contend that plaintiff-appellee knew there was no infringement and brought the action out of malice as an economic lever against a competitor.

“The absolute answer to the first aspect is, of course, the irrefutable FACT that plaintiff-appellee was granted a patent and brought the suit on the patent. As pointed out in its briefs, a patent carries with it a presumption of validity. What more needs to be said on this particular point we are at a loss to know. How it got the patent, or what it thought about its validity, these questions, in our opinion, have no proper place in a consideration of malice or bad faith on plaintiff-appellee’s part in bringing this infringement action against defendants-appellants. We therefore eliminate this aspect from further consideration.”



JAN 29 1958

Appendix, Part 6 (see Brief, p. 83)

DIVISION 19

IN THE UNITED STATES PATENT OFFICE

In re Application of

FRANK J. ANDERSON

Serial No. 630,618

Filed December 26, 1956

For ROTARY KILN CONSTRUCTION

Division 30

A F F I D A V I T

DISTRICT OF COLUMBIA, SS:

I, LLOYD W. RENTSCH, being duly sworn, depose and say,
as follows:

1. I hold the Degree of Bachelor of Arts in Geophysics
from the University of California, at Berkeley, California.

2. Since 1949, I have been employed by the Monolith Portland
Midwest Company, the assignee of the above noted Anderson appli-
cation for United States Letters Patent, Serial No. 630,618, in
the capacity of consultant on various phases of this corporation's
work, and since 1955, I have been concerned with ^{detailed} research and
study on behalf of this corporation pertaining to rotary kilns.

3. I have studied extensively performance records for
rotary cement kilns, and have reviewed carefully various technical
and trade publications pertaining to rotary cement kilns and to
the linings used in such kilns. I have operated a rotary cement
kiln for experimental purposes.

4. I have studied in great detail the specification and
claims of the above noted Anderson application for United States
Letters Patent, Serial No. 630,618, and am thoroughly familiar
with the contents thereof.

5. I have made a study of the production of a rotary cement kiln operated by the above company over a period of several years. During this period, three types of linings have been employed in the burning zone of this kiln, to wit:

Type A - Lining made up predominantly of high alumina bricks without shims.

Type B - Lining made up predominantly of ordinary magnesite bricks and standard metal shims. Bricks were disposed in full contact with the metal shell of kiln. Shims were disposed between bricks without overlapping of joints between bricks. Shims contacted metal shell along their outer edges.

Type C - Lining constructed predominantly in accordance with Anderson application. Bricks were ordinary magnesite bricks disposed in full contact with metal shell. Shims were disposed between bricks so as to extend across joints, and the shims were staggered with respect to each other. Shims had metal members engaging the hot faces of the bricks on the interior of the lining. The shims were spaced away from the shell wall and were not attached to the shell wall.

6. During the period indicated in paragraph 5 several changes were made in the kiln which might effect the rate of production in this kiln to what I consider a minor extent. In addition, various other factors, such as details of kiln operation tend to affect the rate of production of any rotary kiln. During

Illustration C (see Brief, p. 7)

this period, the average rates of production of this kiln in barrels of cement clinker per operating day, when various linings as indicated in paragraph 5 were employed, were approximately as follows:

Type A liner	-	2680
" B "		2480
" C "		2710

In my opinion the changes in these averages largely represent a comparison of production rates with these types of linings in this kiln as fairly as is reasonably possible at the present time.

7. I have also studied the life spans of the various linings described above in this kiln. The Type B lining showed a very material improvement in life span as compared to the Type A lining. The Type C lining embodying the Anderson invention, in turn, showed a substantial improvement in life span over the Type B lining. The magnitude of this latter improvement is presently difficult to evaluate with precision on the basis of the evidence now available. However, sufficient evidence is available to justify an estimate that the Type C lining in this kiln in accordance with the Anderson invention has an average life span which is about 100% longer than the average life span of a Type B lining composed of magnesite bricks and standard metal shims.

8. Consequently, from actual production data and observations, I can state that the Anderson linings have shown substantial improvements in both production capacity and life span. The making of an estimate of the economic value of these improvements is complicated by variations in the cost of producing and the value of cement clinker and by certain variables in the practices employed in replacing burned out portions of kiln linings. However, my study of the operations of the kiln

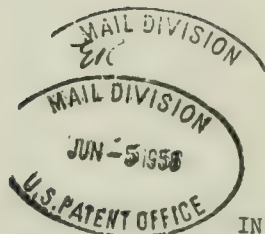
mentioned above leads me to believe that the use of the Anderson invention in that kiln has been worth substantially in excess of \$75,000 per year to my employer.

Joseph W. Reatsch

Subscribed and sworn to before me this 29th day of
January, 1958.

Francis C. Marcelino
Notary Public

(9081)
My Commission expires Nov. 31, 1960



— 68 —

U. S. PATENT OFF

JUN 5 1956
DIVISION 19

IN THE UNITED STATES PATENT OFFICE

FRANK J. ANDERSON :
SERIAL NO.: 630,618 :
FILED: DECEMBER 26, 1956 :
FOR: ROTARY KILN CONSTRUCTION: :
DIVISION 19

A F F I D A V I T

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS:

I, LLOYD W. RENTSCH, being duly sworn depose and say as follows:

1. I am the Affiant identified in the affidavit dated January 29, 1958 filed in the United States Patent Office in connection with the above noted application January 29, 1958.
2. I have made a series of calculations based on the heat conductivity of kiln linings utilizing (1) basic magnesite brick with conventional iron shims extending completely to the shell of a rotary kiln, and (2) utilizing basic magnesite brick and iron shims spaced from the metal shell of a rotary kiln as defined in the above noted patent application.

My calculations indicate that in the order of a tenth of one per cent or less of the total heat employed in a conventional rotary kiln would be saved to do useful "work" in a kiln during normal operation of it by spacing the shims from the shell of a rotary kiln as indicated in this Anderson application instead of extending these shims to the kiln shell.

3. In my opinion one skilled in the art of the operation of rotary kilns and in particular cement kilns would normally expect the total production from such a kiln to be proportional to the amount of heat available within the kiln, although the production in a kiln is related to a number of factors besides the amount of heat available within a kiln. In other words, one would normally expect that a small increase in the amount of heat liberated within a rotary kiln would cause a corresponding proportional increase in the production of a kiln.

4. The data given in my earlier affidavit dated January 29, 1958 shows an increase in kiln production with the Anderson shims approximately thirty times greater or more than one would normally expect on the basis of the calculations indicated above and on the basis of the general consideration that any increase in the amount of heat available in a rotary kiln will cause a proportional increase in kiln production.

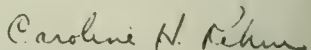
5. This increase in kiln production achieved using the Anderson shims as defined in this application is considered by myself and by others affiliated with the assignee of this application to be completely unexpected and to be very important commercially.

6. I believe that the increase in kiln production indicated here is a direct result of the spacing of metal shims employed in a kiln lining from a kiln shell as indicated in claims 20, 21, 25 and 26 of this Anderson application and that this increase in kiln production clearly evidences that the role of a lining as a heat transfer media within a rotary kiln is unexpectedly and advantageously changed using structures as defined in these claims.

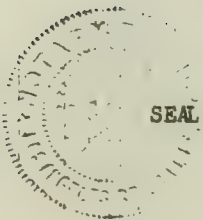
7. I believe that linings for rotary kilns as defined in claims 20, 21, 25 and 26 clearly possess all the elements of a very meritorious and patentable invention.


Lloyd W. Rentsch

Sworn to and subscribed before me this 3 day
of June, 1958.


Notary Public

My Commission Expires July 25, 1960



Appendix, Part 5 (see Brief, p. 77)

Hoge Warren Zimmerman Co. v. Nourse & Co. (6 Cir. 1961) 293 F.2d 779 at 784:

“Related to the above, since exceptional circumstances have been interpreted as incorporating concepts of fraud, malice, bad faith and other similar concepts, is the contention of defendants-appellants that they are entitled to damages commensurate with those awarded in cases of malicious prosecution. The gist of the argument in this respect may be subdivided into two aspects. One addresses itself to the application for the patent, that plaintiff knew, or should have known, that it could not get a valid patent and that it was guilty of various departures from honesty, or of subterfuge in obtaining the patent. The second aspect of this argument is that, at the very least, plaintiff-appellee was guilty of bad faith in having failed to conduct various tests, prior to the institution of the law suit, to analyze the basis for its infringement claim. Defendants-appellants contend that plaintiff-appellee knew there was no infringement and brought the action out of malice as an economic lever against a competitor.

“The absolute answer to the first aspect is, of course, the irrefutable FACT that plaintiff-appellee was granted a patent and brought the suit on the patent. As pointed out in its briefs, a patent carries with it a presumption of validity. What more needs to be said on this particular point we are at a loss to know. How it got the patent, or what it thought about its validity, these questions, in our opinion, have no proper place in a consideration of malice or bad faith on plaintiff-appellee’s part in bringing this infringement action against defendants-appellants. We therefore eliminate this aspect from further consideration.”

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JAN 29 1958

DIVISION 19



Appendix, Part 6 (see Brief, p. 83)

IN THE UNITED STATES PATENT OFFICE

In re Application of

FRANK J. ANDERSON
Serial No. 630,618

Filed December 26, 1956

For ROTARY KILN CONSTRUCTION

Division 30

A F F I D A V I T

DISTRICT OF COLUMBIA, ss:

I, LLOYD W. RENTSCH, being duly sworn, depose and say,
as follows:

1. I hold the Degree of Bachelor of Arts in Geophysics
from the University of California, at Berkeley, California.

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2. Since 1949, I have been employed by the Monolith Portland
Midwest Company, the assignee of the above noted Anderson appli-
cation for United States Letters Patent, Serial No. 630,618, in
the capacity of consultant on various phases of this corporation's
work, and since 1955, I have been concerned with ^{detailed} research and
study on behalf of this corporation pertaining to rotary kilns.

3. I have studied extensively performance records for
rotary cement kilns, and have reviewed carefully various technical
and trade publications pertaining to rotary cement kilns and to
the linings used in such kilns. I have operated a rotary cement
kiln for experimental purposes.

4. I have studied in great detail the specification and
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with the contents thereof.

5. I have made a study of the production of a rotary cement kiln operated by the above company over a period of several years. During this period, three types of linings have been employed in the burning zone of this kiln, to wit:

Type A - Lining made up predominantly of high alumina bricks without shims.

Type B - Lining made up predominantly of ordinary magnesite bricks and standard metal shims. Bricks were disposed in full contact with the metal shell of kiln. Shims were disposed between bricks without overlapping of joints between bricks. Shims contacted metal shell along their outer edges.

Type C - Lining constructed predominantly in accordance with Anderson application. Bricks were ordinary magnesite bricks disposed in full contact with metal shell. Shims were disposed between bricks so as to extend across joints, and the shims were staggered with respect to each other. Shims had metal members engaging the hot faces of the bricks on the interior of the lining. The shims were spaced away from the shell wall and were not attached to the shell wall.

6. During the period indicated in paragraph 5 several changes were made in the kiln which might effect the rate of production in this kiln to what I consider a minor extent. In addition, various other factors, such as details of kiln operation tend to affect the rate of production of any rotary kiln. During

Illustration C (see Brief, p. 7)

this period, the average rates of production of this kiln in barrels of cement clinker per operating day, when various linings as indicated in paragraph 5 were employed, were approximately as follows:

Type A liner	-	2680
" B "		2480
" C "		2710

In my opinion the changes in these averages largely represent a comparison of production rates with these types of linings in this kiln as fairly as is reasonably possible at the present time.

7. I have also studied the life spans of the various linings described above in this kiln. The Type B lining showed a very material improvement in life span as compared to the Type A lining. The Type C lining embodying the Anderson invention, in turn, showed a substantial improvement in life span over the Type B lining. The magnitude of this latter improvement is presently difficult to evaluate with precision on the basis of the evidence now available. However, sufficient evidence is available to justify an estimate that the Type C lining in this kiln in accordance with the Anderson invention has an average life span which is about 100% longer than the average life span of a Type B lining composed of magnesite bricks and standard metal shims.

8. Consequently, from actual production data and observations, I can state that the Anderson linings have shown substantial improvements in both production capacity and life span. The making of an estimate of the economic value of these improvements is complicated by variations in the cost of producing and the value of cement clinker and by certain variables in the practices employed in replacing burned out portions of kiln linings. However, my study of the operations of the kiln

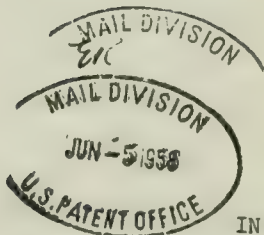
mentioned above leads me to believe that the use of the Anderson invention in that kiln has been worth substantially in excess of \$75,000 per year to my employer.

Joseph H. Reatsch

Subscribed and sworn to before me this 29th day of
January, 1958.

Francis C. Marcelino
Notary Public

(seal)
My Commission expires Nov. 31, 1962



— 68 —

U. S. PATENT OFF

JUN 5 1958
DIVISION 19

IN THE UNITED STATES PATENT OFFICE

FRANK J. ANDERSON :

SERIAL NO.: 630,618 :

FILED: DECEMBER 26, 1956 :

DIVISION 19

FOR: ROTARY KILN CONSTRUCTION:

A F F I D A V I T

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS:

I, LLOYD W. RENTSCH, being duly sworn depose and say as follows:

1. I am the Affiant identified in the affidavit dated January 29, 1958 filed in the United States Patent Office in connection with the above noted application January 29, 1958.

2. I have made a series of calculations based on the heat conductivity of kiln linings utilizing (1) basic magnesite brick with conventional iron shims extending completely to the shell of a rotary kiln, and (2) utilizing basic magnesite brick and iron shims spaced from the metal shell of a rotary kiln as defined in the above noted patent application.

My calculations indicate that in the order of a tenth of one per cent or less of the total heat employed in a conventional rotary kiln would be saved to do useful "work" in a kiln during normal operation of it by spacing the shims from the shell of a rotary kiln as indicated in this Anderson application instead of extending these shims to the kiln shell.

3. In my opinion one skilled in the art of the operation of rotary kilns and in particular cement kilns would normally expect the total production from such a kiln to be proportional to the amount of heat available within the kiln, although the production in a kiln is related to a number of factors besides the amount of heat available within a kiln. In other words, one would normally expect that a small increase in the amount of heat liberated within a rotary kiln would cause a corresponding proportional increase in the production of a kiln.

4. The data given in my earlier affidavit dated January 29, 1958 shows an increase in kiln production with the Anderson shims approximately thirty times greater or more than one would normally expect on the basis of the calculations indicated above and on the basis of the general consideration that any increase in the amount of heat available in a rotary kiln will cause a proportional increase in kiln production.

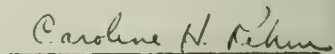
5. This increase in kiln production achieved using the Anderson shims as defined in this application is considered by myself and by others affiliated with the assignee of this application to be completely unexpected and to be very important commercially.

6. I believe that the increase in kiln production indicated here is a direct result of the spacing of metal shims employed in a kiln lining from a kiln shell as indicated in claims 20, 21, 25 and 26 of this Anderson application and that this increase in kiln production clearly evidences that the role of a lining as a heat transfer media within a rotary kiln is unexpectedly and advantageously changed using structures as defined in these claims.

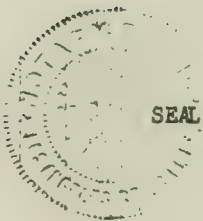
7. I believe that linings for rotary kilns as defined in claims 20, 21, 25 and 26 clearly possess all the elements of a very meritorious and patentable invention


Lloyd W. Rentsch

Sworn to and subscribed before me this 3 day
of June, 1958.


Notary Public

My Commission Expires July 23, 1960





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#17
U. S. PATENT OFFICE

JUN 8/8 1958

DIVISION 19

IN THE UNITED STATES PATENT OFFICE

FRANK J. ANDERSON :

SERIAL NO.: 630,618 :

FILED: DECEMBER 26, 1956 :

DIVISION 19

FOR: ROTARY KILN CONSTRUCTIONS:

A F F I D A V I T

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } SS:

I, LLOYD W. RENTSCH, being duly sworn depose and say as follows:

1. I am the affiant identified in the affidavits dated January 29, 1958 and June 3, 1958 filed in the U. S. Patent Office in connection with the above noted application.

2. In the course of my employment reports reached me of a difference in the manner in which the rotary cement kiln of the assignee of this application operated using different types of linings in the burning zone of the kiln, and specifically (1) burning zone linings of basic magnesite brick with conventional iron shims extending completely to the shell of a rotary kiln and (2) burning zone linings utilizing basic magnesite brick and iron shims spaced from the metal shell of a rotary kiln as defined in the above noted patent application. For

convenience these two types of linings are designated as (1) conventional or full shims and (2) Anderson shims.

3. The term "burning zone" is frequently used so as to designate the region within a rotary kiln where the highest temperatures are encountered and where the bricks used in the lining are of the highest practical refractory character. Most frequent brick replacement occurs within this area. Although the term "burning zone" may be used in a broad sense so as to designate the whole lower end of a rotary kiln, this is considered improper because of the manner in which heat is liberated within a kiln and because of the cooling effect of gases drawn in through the lower end of the kiln.

For these reasons the term "burning zone" is used in this affidavit so as to designate the part of a rotary cement kiln extending generally between the nose and feed rings formed from material passing through the kiln during its operation. Within this area or region the highest temperatures in a kiln are achieved, and a lining of the highest available refractory character is used. Most frequent brick replacement also occurs in this area or region. All calculations referred to in this and in my preceding affidavit pertain to the use of burning zone linings. As an example of what is meant by the term "burning zone" in a kiln reference is made to a kiln operated by the assignee of this application. This

kiln is approximately 330 feet long and has a burning zone which is slightly less than 35 feet in length spaced from the lower end of the kiln by a distance of about 20 feet.

4. In a rotary cement kiln the burning zone of the kiln itself is a critical region of the kiln. It is in this region that maximum temperatures must be developed in order to cause the final reactions leading to the formation of cement compounds, such as dicalcium silicate and the like. Once these final reactions commence they are exothermic in nature. Because of these factors, Anderson shims as set forth in the above noted Patent Office action are primarily useful when installed in the burning zone of a kiln. The lining within the burning zone of a rotary cement kiln is well known to serve as a heat transfer media, and must satisfactorily perform in this regard if high production from a rotary cement kiln is to be achieved.

5. According to reports reaching me as indicated in paragraph 2 above, the burning zone linings in the rotary kiln using full shims appeared to quench the exothermic reactions of the material being burned to cement clinker within the kiln as these linings passed beneath this material during kiln rotation. These same reports indicated that with the kiln having a burning zone lining using the Anderson shims the exothermic reactions proceeded in a normal manner and no apparent quenching of such material took place. These reports were based upon visual observation and were not quantitative.

6. In order to investigate these reports and their importance I made the calculations indicated in my preceding affidavit dated January 29, 1958 filed in connection with this application. In this affidavit it was indicated in paragraph 2

"that in the order of one-tenth of one per cent or less of the total heat employed in a conventional rotary kiln would be saved to do useful 'work' in a kiln during normal operation of it by spacing the shims from the shell of a rotary kiln as indicated in this Anderson application instead of extending these shims to the kiln shell."

Thus, I indicated in my earlier affidavit that one would only expect to save an extremely small proportion of the total heat employed in a rotary kiln by using Anderson shims instead of full shims.

7. In the quotation from my earlier affidavit given above the term "total heat" was intended to designate heat liberated within a rotary kiln due to the burning of fuel and oxygen. This is considered by me to be a conventional designation although the term "total heat" in a rotary kiln can, of course include sensible heat contribution from the raw material slurry, secondary air, primary air and in some degree even the sensible heat of the fuel itself. All the calculations indicated hereafter are based on the definition of the term "total heat" given here. The term "useful 'work'" indicated in this quotation from my earlier affidavit is intended to designate heat within the kiln which is directly employed in the formation of cement clinker.

8. The operation of a rotary kiln such as, for example, a cement kiln is complex in spite of the relative simplicity of such apparatus. Thus, in the manufacture of cement the operation of a rotary kiln will depend upon a large number of factors including chemical and physical reactions which are all not well explained or fully understood at the present time. Any heat balance for a rotary kiln must, therefore, by necessity, be essentially an approximation and must vary with a number of factors such as, for example, the thickness of the lining within a rotary kiln at any specific time, the thickness of the coating on the burning zone lining, the nature of this coating, the material being treated within the kiln, the speed of kiln rotation, the air temperature outside of a kiln, air movement outside of the kiln and many others. Principally, because of these enumerated factors the heat loss by radiation in a rotary kiln will not be constant, but will vary within certain limits.

9. In order to determine by calculations approximately how much heat would be saved by using the Anderson shims instead of full shims, it was first necessary to determine how much heat is normally lost from a rotary kiln by radiation. This is because such heat loss is, in effect, the heat loss through the lining in a rotary kiln.

The text "Portland Cement" by Meade, Third Edition, 1926, Chemical Publishing Company, Easton, Pennsylvania, indicates on page 305 that in the examined case the shell radiation loss from a kiln was 10.5% of the total heat

developed in the kiln from the fuel burned in it. The booklet published by the Allis-Chalmers Company of Milwaukee, Wisconsin, entitled "Rotary Kiln for Cement, Lime and Chemical Plants" bearing the Designation Number 07B6368A on page 19 indicates that less than 8.5% of the total heat from fuel in a rotary kiln is lost by shell radiation.

The article entitled "The Thermal Efficiency of the Rotary Cement Kiln" by Hans Gygi appearing in the November and December, 1937 and February, March, April June and July, 1938 issues of the publication "Cement and Lime Manufacture" published by Concrete Publications, Ltd., 14 Dartmouth Street, London S.W.1, Great Britain, gives figures from which it can be calculated that about 11.6% of the total heat supplied by the fuel within assignee's rotary kiln is lost by shell radiation. These calculations make allowance for assignee's higher exit gas temperature and slurry moisture requirements. Because of the comparatively high kiln shell temperatures recited in this Gygi article it is believed that the percentage obtained from it represents a higher heat loss by radiation than is normal.

10. In order to determine what proportion of the radiation loss from a rotary cement kiln occurs in the burning zone it is necessary to determine approximately the length of the burning zone. In the Monolith kiln mentioned in paragraph 3 the burning zone is about 10.6% of the length of the kiln. Since the kiln length referred to in the Meade text is 125 feet long, proportionately, it would appear that the burning zone in it is about 13.3 feet long.

By multiplying the 439,600 Btu heat loss in zone 2 of the Meade reference corresponding to approximately the location to the burning zone of a rotary kiln by a factor obtained by dividing 13.33 by 12.5 (the length of this zone 2), and then dividing this number by the total heat loss by radiation given in the Meade text, it is apparent that about 12% of the total heat loss by radiation in the kiln cited in the Meade text occurs in the burning zone. Multiplying this 12% times the 10.5% total heat loss by radiation specified in the Meade text it is apparent that about 1.26% of the total heat in the Meade kiln is lost as burning zone shell radiation.

Using the same 12% figure obtained from the calculations above and multiplying this times the approximate 8.5% radiation loss specified in the Allis-Chalmers publication, it is apparent that less than 1.02% of the total radiation loss occurs in the burning zone.

In order to determine the heat loss in the burning zone by radiation using the figures in the Gygi text above, reference was made to Table 5 appearing on page 318 of the December, 1937 issue of this publication. From an examination of this table and the text of the accompanying article it appeared that the burning zone of the kiln specified started approximately at the point 19 and extended to approximately the point 22. This distance also corresponds to the length of the burning zone in the kiln noted in paragraph 3.

The heat loss in this length is about 17.9% of the radiation loss in the kiln reported on by Gygi. When this figure is multiplied by the 11.6% given in paragraph 9, it is apparent that about 2.07% of the total heat in Gygi kiln is lost by shell radiation in the burning zone. This figure is considered to be somewhat high because of the higher kiln shell temperature as indicated above.

11. The thermal conductivities of magnesite refractory bricks and of metals such as various grades of steel are well known to decrease at elevated temperatures as can be determined by reference to page 339 of the book "Modern Refractory Practice" published by Harbison-Walker Refractories Company, Pittsburgh, Pa., copyright 1950, and by reference to Perry's "Chemical Engineering Handbook" Third Edition, McGraw-Hill Book Company, New York, New York, 1950, page 456.

Conductivity calculations were made as to the conductivity of magnesite brick between the temperature of 2400° F and 600° F using the values cited in Table XXX on page 339 of the Harbison-Walker text cited above, and the formula 2 as given on page 340 of this text. The temperature of 2400° F was used here because this is considered to be approximately the temperature of the hot face of the brick beneath the coating within the burning zone of a rotary kiln. The temperature of 600° F was used here because it is believed that this represents a normal temperature of the cool face of the brick in the same area within a rotary kiln resting against the interior of the kiln shell.

The thermal conductivity for mild steel is given on page 456 of the Perry text cited above; the conductivity at 1112° F was used. The thermal conductivity of mild steel was employed in the calculations because the Anderson shims have been manufactured from mild steel and because it is believed that conventional or full shims for use in rotary kilns are also manufactured of this material. It is considered that the value for thermal conductivity given in the Perry Text is not completely accurate in these calculations because of the temperature variations between the inside and the outside of a burning zone kiln lining as indicated above, and that a slightly lower thermal conductivity should be used. However, due to the lack of a more complete table indicating the effect of temperature upon thermal conductivity this value was employed.

In these calculations the thermal conductivities of lining sections 6 inches wide containing (1) magnesite brick and full shims of mild steel 1/16 wide and (2) magnesite brick with no shims were compared. The 6 inch width employed here was used because this corresponds to the usual brick width employed by the assignee of this application in the rotary kiln indicated in paragraph 3 above. The 1/16 inch width here was used because the Anderson shims have been manufactured having approximately this width or thickness and because it is believed that conventional full shims are also manufactured so as to have the same dimension.

The thermal conductivity in case (1) is calculated to be 25.8 Btu /hr. / ft.² of lining / °F /inch thickness; in case (2) this was 23.4 in the same units. Thus, in

the latter case there is a reduction of 9.3% in the heat transmitted through the lining.

Because the Anderson shim is a partial shim deliberately spaced from a kiln shell a lining using this shim will obviously have a conductivity intermediate these two values. Therefore, the difference between case (1) and an Anderson shim installation with magnesite brick will be less than the noted 9.3%.

12. In order to determine the reduction of heat transmitted through a lining in comparison to the total heat in a kiln by using Anderson shims instead of full shims, the 9.3% figure noted at the end of paragraph 11 above was multiplied by the heat loss by burning zone radiation obtained by various methods as given in paragraph 10 above. From this it appears that heat saving of about .12% could be achieved of the total heat in the Meade kiln and that a saving of about .09% of the total heat could be achieved in kilns operating as indicated in the Allis-Chalmers publication, and that a heat saving of about .19% of the total heat in the Gygi kiln could be achieved. These are all in the order of 1/10 of one per cent; and as the Anderson shims in comparison to full shims are less than the 9.3% noted in paragraph 11, the heat saved by using them is "in the order of 1/10 of 1% or less".

13. In order to check the results of the calculations set forth in paragraph 10 another group of calculations were made based upon the Gygi article noted. From the curve designated as Fig. 21 appearing on page 31 of the

February, 1938 issue of "Cement and Lime Manufacture" it was calculated that about 22% of the total heat transferred in the Gygi kiln was transferred in the burning zone of this kiln. As indicated in Fig. 29 appearing on page 150 of the July, 1938 issue of "Cement and Lime Manufacture" about 3.8% of this 22% is lost by radiation. By multiplying these two figures it is apparent that about 0.835% of the total heat transferred in the kiln is lost through burning zone radiation. This confirms the various values set forth in paragraph 10 above.

14. A one-tenth of one per cent increase in assignee's kiln production would be about three barrels of cement per day. The actual increase in kiln production as indicated in my prior affidavits is in the order of thirty times or more greater than this figure.

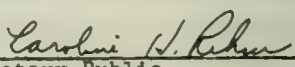
15. Although the calculations given here are somewhat complex, they constitute an elementary approach to the complete problem. A number of factors not considered in these calculations, such as composite conductivities through the coating, lining, interface resistance, and shell, specific amounts of shims used and the like will vary the actual results, but do not invalidate the conclusions available through these calculations.

16. The calculations indicated in this affidavit and the actual increase in production as indicated above clearly demonstrate to me that the results achieved using Anderson shims with basic brick are very advantageous and are completely unexpected. In my opinion these results

can be explained only by considering that the role of a lining as a heat transfer media in a burning zone of a rotary kiln is changed by using the Anderson shims as defined in claims 20, 21, 25 and 26 of this application.


Lloyd W. Rentsch

Sworn to and subscribed before me this 25 day of June, 1958.


Notary Public

SEAL

My Commission Expires July 25, 1960

Appendix, Part 7 (see Brief, p. 88)

The unexpected results affidavits, of course, speak for themselves and the substance thereof will be apparent to this Court. However, we would like to point out the principle content thereof and discuss in some detail the testimony and exhibits bearing on the aspect of the fraud issue. The first affidavit stated that Rentsch was employed by Monolith, had been concerned with detailed research and study pertaining to rotary kilns, had made a study of the production of a rotary cement kiln operated by Monolith over a period of several years, three types of linings (Type A, B and C) had been employed in the burning zone of this kiln, several changes were made in kiln operation which might affect the rate of production which he considered to be minor factors, that in his opinion the changes in average rates of production of barrels of cement clinker per operating day (Type A - 2680, Type B - 2480, and Type C - 2710) largely represented a comparison of production rates with these types of linings, and that he estimated that the Type C lining had a considerably longer average life span, i.e., about 100% longer than Type B. The Type A lining had alumina bricks without shims, the Type B lining had basic brick and full shims, and the Type C lining had basic brick and shims supported on the brick and spaced away from the kiln shell. In the second affidavit, he stated that he had made a series of calculations to determine the expected increase in production based on the reduction of heat transfer to the kiln shell as a result of short shims, and concluded that the actual increase set forth in his first affidavit was thirty or more times greater than what would be the the expected increase. In his third affidavit, he went into a detailed discussion of the calculations, explained that the expected increase based on the reduction in

transfer of heat would be about three barrels of cement per day; whereas, the actual increase as indicated in his prior affidavits was in the order of thirty times or more greater than this figure, i.e., ninety or more barrels per day. Rentsch felt that the increase was on the order of one hundred barrels per day (Tr. 11165; Tr. 11466).

Oberg of Monolith stated it to be his opinion that the use of short arcuate shims in the 1954 lining at Monolith's Laramie plant doubled lining life and increased production by 100 barrels per day (Tr. 5223). Oberg, significantly, earned the respect of the District Court (Memo of Decision, p. 129, R. 3688) as an honest witness. Johnson of Monolith had been told that there was an increase of 100 barrels per day (Tr. 8526). Rentsch testified that his study of production records convinced him that an increase in production of 100 barrels per day was attributable to the short-shimmed lining (Tr. 11466-11467; see also Ex. 1062, p. 1); he also stated that Anderson told him that the use of the short-shimmed lining resulted in 100 barrels per day increase (Tr. 1823; Tr. 1973). Rentsch further stated that there was a total production gain of 230 barrels per operating day after the short-shimmed lining was installed at Laramie, and he ascribed 100 barrels per day to short shimming (Tr. 11165; Tr. 11466). O'Brien, Monolith's Patent Attorney, did not feel that the production figures precisely bore out Rentsch's opinion of a thirty times increase in production, but felt that the opinion was valid and a close approximation (Ex. OI).

On the other hand, several Monolith documents (Ex. 679/FA, Ex. JY, and Ex. AU) indicated a 19 barrel per day increase in production was attributable to the spaced shim installation at the Laramie plant.

The first of these documents (Ex. 679/FA) is a letter dated January 3, 1955 by Williams of Monolith indica-

ting that less fuel was required because of the use of short shims, and the fuel saving accounted for 19 barrels of clinker per day increase. Williams stated that this figure was calculated by Potter of Monolith (Tr. 1394), but stated that the 19 barrels was merely a calculated figure based on heat savings only (Tr. 1412). The calculations from which this figure was derived did not take into account the effect of down time (Tr. 1412-1413), nor was the figure computed on a long term basis.

The 19 barrels per day figure again appeared in an undated report alleged to have been prepared by Anderson (Ex. AU). However, Ex. 1016 comprises a cover memo by Potter together with a copy of Ex. AU indicating that Potter and not Anderson prepared Ex. AU. Rentsch did not believe that Ex. AU was a report by Anderson (Tr. 11227, Tr. 11233; Tr. 11257; Tr. 11289). Therefore, there is no evidence from which knowledge on the part of Rentsch, either directly or indirectly through Anderson, of Ex. AU could be inferred.

Exhibit JY, a letter from Potter to Williams dated April 14, 1956, also attributes increases in production of 114 barrels per day to use of carbon dioxide and of 218 barrels per day to use of oxide residue. Rentsch stated that prior to trial he was not aware of Ex. 679/FA or JY (Tr. 11150-11151). After reviewing these exhibits, Rentsch stated that they did not change his opinion (Tr. 11451) that the efficiency of the kiln lining was largely due to the fact that it was composed of short shimmed brick (Tr. 11474-11475).

Irrespective of whether or not the increase in production was 19 barrels per day or 90 to 100 barrels per day, the increase in production to be expected was three barrels per day as calculated by Appellees' expert witness L. J. Lyons (Tr. 11714), which is in accord with the expected result calculated by Rentsch as set forth in his third affidavit (Ex. 2/V, p. 172).

Considering for the moment other changes which were made in the kiln, Rentsch stated in his first affidavit, “. . . several changes were made in the kiln which might effect the rate of production in the kiln to what I consider a minor extent.” In addition, various other factors, such as details of kiln operation tend to affect the rate of production of any rotary kiln. All the evidence is not in accord as to the precise effect on production as a result of each change. Oberg and Rentsch did not feel that the other changes would cause increases in production requiring alteration of their opinions of the results attributable to the short shimmed lining (Tr. 5249-5251; Tr. 11451). Rentsch did not think the conclusion reached in Exhibits FA and JY was a fair one since a certain increase in production was first attributed to the lining, then a certain increase to CO_2 , and then the remainder was concluded to be due to the oxide residue (Tr. 11465).

Rentsch testified that aside from the usual variables, there were actually four which could have affected production, and these were: (1) the use of the short shimmed lining, (2) use of carbon dioxide (CO_2), (3) use of oxide residue, and (4) use of a new draft fan (Tr. 11139-11140). He thought the factors other than the lining made some contribution, but thought the major contribution was due to the latter (Tr. 11149; Tr. 11140). He described the affect of the other variables as being “minor” in his first affidavit because he thought this was the fairest way the information could be described to the Patent Office (Tr. 11144). It was Rentsch’s opinion that the effect of oxide residue was negligible in the calculations and that CO_2 was not important because it was introduced only after the first six months of operation of the Laramie kiln. Although a precise evaluation of these factors was not possible, he looked at the whole

picture in making his evaluation (Tr. 11462-11463). He used a three year time period during which various changes took place, taking into account these changes each year, in arriving at his conclusions (Tr. 11470-11471). He did not know prior to trial that Potter of Monolith assigned substantially all of the increase in production to oxide and CO₂ (Tr. 11150; Ex. JY). Rentsch felt there was some economic benefit to the use of CO₂ (Tr. 11069) because it reduced cost of production, but he did not think it caused an important, much less unexpected, increase in production (Tr. 11090-11091).

Furthermore, Rentsch concluded that the effect of the draft fan was minor because it was only used late in the period of operation of the kiln (Tr. 11432). He contended that the greatest possible improvement due to the oxide residue would have been only 11 or 12 barrels per day (Tr. 11422). One reason he attributed the increase to shims rather than residue was that in the Type A lining (no shims) production was substantially the same as the Type C lining (short-shimmed) and it did not use residue; then when the lining was changed to full shims (Type B) production dropped, and when changed to spaced shims (Type C) production returned (Tr. 11469). In view of this, he concluded that the governing and principal factor was the change in lining characteristics rather than the residue (Tr. 11469). Oberg testified that the amount of oxide residue was insignificant in the first six months of 1954, and carbon dioxide was not used until July or August 1954 (Tr. 5249-5250); the Laramie field test began in January, 1954.

Although a short shimmed lining was used at Appellant's Monolith, California plant, no discernible change in production was observed (Tr. 11463). Rentsch gave consideration to this, but thought the lack of production

increase was attributable to reasons other than the lining and use of CO₂. He felt that the burning conditions at this plant masked the value of the lining because of temperature variation (Tr. 11465). However, Appellant continued to use a short shimmed lining at the Monolith plant (Tr. 1195; Tr. 1564), even though the same production increase was not observed there.

We also should note that Dr. Bogue and Mr. Bechtold were retained in 1960 by Appellant to carry out tests to determine the benefits obtained by the use of a lining constructed from bricks having longitudinal short shims (arcuate short shims were used at Laramie) (Tr. 1623-1624; Tr. 1631-1634; Tr. 2463-2464). Two similar kilns at the Monolith plant in California were lined with the same types of brick, one using short longitudinal shims spaced about one inch from the shell and the other with full longitudinal shims (Tr. 1631-1634; Tr. 2467). A report dated October 2, 1963 (Ex. 585) was prepared by Bogue and Bechtold (Tr. 1639-1640; Tr. 2465). Both Bogue and Bechtold felt that the short shimmed installation gave better results (Tr. 1634; Tr. 2485; Tr. 2489-2495; see also Ex. 585, p. 32-34). Bechtold testified that the test generally confirmed Rentsch's conclusions about the Laramie installation, but not quantitatively (Tr. 3559-3560). The kiln having the short shimmed lining lasted considerably longer and thus had a substantially greater production output (Ex. 585, p. 8). Based on the number of days both kilns operated simultaneously (and thus forgetting the increase in production because the lining lasted longer), the one with the short shimmed lining had a twelve barrels per day greater output (Ex. 585, p. 9). However, because several variables between the two kilns were not carefully controlled, it was concluded that the test results were not conclusive (Memo of Decision, p. 115, R. 3674).

Appendix, Part 8 (see Brief, p. 94)

"FILED" WICKEN AFFIDAVIT
Exhibit 2/V, pp. 213-216

"INITIAL" WICKEN AFFIDAVIT
Exhibit OX

IN THE UNITED STATES PATENT OFFICE

FRANK J. ANDERSON :

SERIAL NO.: 630,618 :DIVISION 19

FILED: DECEMBER 26, 1956:

FOR: ROTARY KILN CON- :
STRUCTION

A F F I D A V I T

STATE OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

Being duly sworn, I, OSCAR M. WICKEN, depose and say as follows:

1. Name: Oscar M. Wicken, being
duly sworn deposes and says as
follows:

1. I hold a degree of Bachelor of Science in Chemistry from the University of Washington in Seattle, Washington, a Master of Science in Metallurgical Engineering from the University of Idaho in Moscow, Idaho, and a Professional Engineer's License from the State of Washington. I am a member of the American Institute of Mining & Metallurgical Engineers and the American Chemical Society.

2. Education: I hold a degree of Bachelor of Science in Chemistry from the University of Washington in Seattle, Washington, a Master of Science in Metallurgical Engineering from the University of Idaho in Moscow, Idaho, and a Professional Engineer's License from the State of Washington. I am a member of the American Institute of Mining & Metallurgical Engineers and the American Chemical Society.

2. During the years 1940 to 1951 I was employed by Northwest Magnesite Company, a subsidiary of the Harbison-Walker Refractories Company. From 1940 to 1945, I was employed as an engineer and superintendent in Development and Operations at the Chewelah, Washington plant of Northwest. From 1945 to 1947 I was employed in the Engineering and Development Department at the Pittsburgh Office in Pittsburgh, Pennsylvania. From 1948 to 1951 I was employed as Manager of the Cape May, New Jersey sea water magnesite manufacturing plant of Northwest. From 1951 to 1955 I was employed by the Foote Mineral Company as Manager of their Sunbright Virginia

3. Experience: During the years 1940 to 1951 I was employed by Northwest Magnesite Company, a subsidiary of the Harbison-Walker Refractories Company. From 1940 to 1945, I was employed as an engineer and superintendent in Development and Operations at the Chewelah, Washington plant of Northwest. From 1945 to 1947, I was employed in the Engineering and Development Department at the Pittsburgh Office in Pittsburgh, Pennsylvania. From 1948 to 1951 I was employed as manager of the Cape May, New Jersey sea water magnesite manufacturing plant of

lithium chemical plant. From 1956 to the present time I have been employed in the Technical Sales Department of the Harbison-Walker Refractories Company at Pittsburgh, Pennsylvania. Each of the above positions has brought me into close contact with rotary kiln constructions and operations.

3. I consider myself qualified to state what were conventional practices with respect to the use of refractories in rotary kilns such as are used in the cement and other industries in the early part of 1955 because of my education and experience as set forth in paragraphs 1 and 2 above.

4. In the early part of 1955 where conventional basic or non-acid brick were used in the burning zone of rotary cement kilns or other related kilns it was conventional practice to utilize metal plates or shims between such brick. In these cases the metal shims or plates were of approximately the same dimensions as the sides of the individual bricks employed and were located between the sides of individual bricks so as to extend from the hot face of such brick to the steel shell of the rotary kiln. It would have been contrary to the conventional practice in the industry and contrary to manufacturer's recommendations at this time to have installed such metal plates or shims with such brick so that they were deliberately spaced from the shell of a rotary kiln.

5. I am familiar with the Longacre U. S. Patent No. 2,230,142. This patent shows the use of an unusual brick shape which is designed so as to achieve the objective of insulating the major portion of such a brick from the shell of a rotary kiln. In my opinion this Longacre patent teaches achieving this objective by altering the usual shape of brick for use in rotary kilns rather

Northwest. From 1951 to 1955 I was employed by Foote Mineral Company as Manager of their Sun-bright, Virginia lithium chemical plant. From 1956 to the present time I have been employed in the Technical Sales Department of the Harbison-Walker Refractories Company at Pittsburgh, Pennsylvania. Each of the above positions has brought me into close contact with rotary kiln constructions and operations.

4. As a result of my education and experience in the field of refractories, and in particular to the use of refractories in rotary kilns as employed in the cement and other industries, I consider myself qualified to state what were conventional practices in this field on February 1, 1955.

5. As of February 1, 1955 it was conventional practice where basic or non-acid brick were used in the burning zones of cement rotary kilns to utilize metal plates or shims with such bricks. In these cases the metal shims or plates were located between individual bricks and were full shims or plates so that they extended to or essentially extended to, the steel shell of rotary kilns. This was the ordinary practice in the industry and the recommended procedure on installation. A departure from this procedure; for example, the deliberate spacing of the shims away from the shell an appreciable distance, would have been uncommon practice.

6. I have read the Longacre U. S. Patent #2,230,142. The refractory structures shown in the Longacre Patent are designed so as to insulate the major portion of the refractories shown from the shell of a rotary kiln. Fundamentally, this objective is sought by altering the usual shape of brick used in rotary kilns rather than by purposefully employing a new pattern of steel plate application.

than by varying conventional industry practice with conventional basic or non-acid bricks as indicated in paragraph 4 above.

6. I am also familiar with the Griffith U. S. Patent No. 2,192,642 showing the use of corrugated or waffle shaped metal plates or shims designed to be located between conventional brick. In the early part of 1955 it was recognized that corrugated metal plates or shims as described in this Griffith patent should be used when it was desired to allow for expansion of conventional refractory brick. The metal corrugated plates or shims in the Griffith patent were driven in place as far as possible; in some few cases the corrugated plates or shims of the Griffith patent may not have extended completely to the metal shell of a rotary kiln because of problems of installing these shims. In these cases the amount of spacing away from the shell would have been minor and accidental to the purpose of the Griffith patent. Such spacing was considered undesirable since it was contrary to the established practice as indicated in paragraph 4 above, and was avoided to as great an extent as conveniently possible.

7. It is my opinion that the Griffith and Longacre patents referred to above, either alone or in combination with one another, do not show the concept of providing a rotary kiln lining using metal plates or shims deliberately spaced away from the metal shell of a rotary kiln between conventional basic or non-acid brick. Such a concept in the early part of 1955 was definitely contrary to conventional practice and recommendations of the refractory industry.

7. I have read the Griffith U. S. Patent #2,192,642 and I have observe installation in the field of these corrugated or waffle shaped metal plates or shims as described in this patent. On February 1, 1955 the industry practice in using the Griffith waffle or corrugated steel plates or shims was an effort in such installation to allow for the expansion of the hot face of the brick. These metal plates were driven to their fullest penetration but naturally not all of these metal plates would extend to the metal shell of the rotary kiln because of "wedge" considerations and the amount of spacing away from the shell in these cases would have been minor and accidental to the purposes of Griffith.

8. After studying the Griffith and Longacre patents referred to above, either alone or in combination, it is my opinion that these patents do not show to anyone skilled in the art of rotary kiln refractories the concept of providing for a rotary kiln lining utilizing conventional basic or non-acid bricks spaced from one another by metal plates or shims which are deliberately and uniformly spaced an appreciable extent away from the metal shell of a rotary kiln. Such concepts on February 1, 1955 was contrary to and against industry practice and recommendation. Nor do they show the use of metal plates or shims of such size and configuration as to make annular sections each of which extends past several brick in a ring. Usual practice is for each brick to have an individual plate separate from the plates of adjoining bricks.

. I am aware of the installation and performance of the Anderson shims as described in the aforementioned patent application with conventional basic brick at the Monolith Midwest Company plant at Laramie, Wyoming and I believe that the concept of deliberate spacing, as verified by the results of such installation, possesses all the elements of a meritorious and patentable invention.

Oscar M. Wicken /s/

Subscribed and sworn to before me this 11th day of September, 1958.

EAL

Robert Beadling /s/

Robert Beadling, Notary Public
Pittsburgh, Allegheny County, Pa.
My Commission Expires September
11, 1961

9. I am informed on the original installation and performance of the Anderson Shim with conventional basic bricks at the Monolith Portland Midwest Company plant at Laramie, Wyoming and I believe such installations to show that the use of these shims with conventional basic or non-acid brick in a rotary kiln possesses all the elements of a meritorious and patentable invention.

Oscar M. Wicken /s/

Sworn to and subscribed before me this 25th day of August, 1958.

Robert Beadling /s/

Robert Beadling, Notary Public
Pittsburgh, Allegheny County, Pa.
My Commission Expires September
11, 1961

Appendix, Part 9 (see Brief, p. 96)

Included in this part of the Appendix is a further discussion of the evidence bearing on the Wicken affidavit matter. In Moore's reply to Freeman (Ex. 00) concerning Wicken providing an affidavit for Monolith, he further stated:

"Oscar Wicken and I have reviewed Mr. Anderson's description of his invention and to the very best of our knowledge, it does not conflict with any patents previously published or with any rotary kiln practice prior to February 1, 1955. I believe I mentioned that numerous devices for installing plates in the radial joints in such a way as to keep them away from contact with the steel shell have been employed from time to time. This is the first description or reference we have seen however to the use of curved plates in the joints between the rings."

In his deposition testimony Moore indicated he was not sure what he had in mind at the time in referring to "numerous devices for installing plates" (Tr. 11926). Wicken thought the "numerous devices" in Moore's letter (Ex. 00) were double linings, i.e., fire clay or high aluminum brick back of a basic section, asbestos insulation and shims having part removed leaving supporting legs which would rest on the shell (Tr. 11977-11978). Moore acknowledged that he referred the affidavit matter to Wicken (Tr. 11928; Tr. 11934), and stated that he reflected more of Wicken's thinking than his own in his letter (Ex. 00) of July 22, 1958 (Tr. 11928). Wicken recalled that Moore first introduced the subject of Monolith's patent application to him (Tr. 11967).

Moore recalled receiving from Freeman a copy of a paper entitled, "Use of Circular Steel Shims with

Basic Brick Linings in Kiln of Monolith at Laramie” (Ex. AU, Deposition Ex. D), and it was part of the material he turned over to Wicken (Tr. 11932). This paper described the Laramie Kiln lining practices and discussed the use of a basic brick lining there including circular or arcuate shims held approximately one and one-half inches from the kiln shell (Ex. AU, p. 3). Rentsch did not believe that a copy of the Anderson patent application had been supplied to Harbison-Walker (Tr. 12546). It was Wicken’s impression that the fundamental thing Anderson was trying to patent was a circular shim (Tr. 11977), which seemed to be a departure from conventional practice (Tr. 11982). However, he did not recall in 1958 any specific installations in which shims had been withdrawn from the kiln shell an appreciable distance (Tr. 12000). Moore did not think he checked the contents of the “initial” affidavit (Tr. 11934), but did approve Wicken’s signing (Tr. 11935).

With respect to the changes in the “revised” affidavit, Rentsch recalled that he discussed with Wicken revision as to form (Tr. 11349), and that there were words or phrases he wanted in the affidavit if Wicken agreed in order to get the best results out of the affidavit (Tr. 11351). Rentsch was sure that he cleared everything with Wicken (Tr. 11352). With reference to paragraph 8 of the “filed” affidavit, Rentsch did not remember why the change was made to indicate that Wicken was “aware” of the Laramie installation rather than “informed” thereof (Tr. 11363). Rentsch stated that Wicken agreed that deliberate spacing would be contrary to industry recommendations in February 1955, and a change was made in paragraphs 4 and 8 of the “filed” affidavit to accommodate his approval; Rentsch did not have any apprehension that Wicken misunderstood (Tr. 11369). In reference to the removal of the com-

ment concerning “annular” shims from paragraph 5 of the “initial” affidavit, Rentsch stated that they just wanted to say that Griffith and Longacre did not teach deliberate spacing, and Wicken agreed (Tr. 11373).

In his deposition testimony Wicken remembered that he had the telephone conversation with Rentsch, and as he recalled he thought Rentsch wanted some slight alteration in the affidavit in order to meet Patent Office requirements (Tr. 11991). He testified that he read through both of the affidavits and thought the second one was a virtual copy of the first (Tr. 11993; see also Ex. PH), but stated he was probably anticipating that the affidavit was pretty much the same as the first (Tr. 11993-11994). Wicken contended that he received the impression that the Patent Office had certain patterns that had to be followed, and understood that the documents would be essentially the same as to context (Tr. 12004-12005); he did not believe that Rentsch made reference to either specific additions or deletions (Tr. 12005-12006). But he also stated that he “paid pretty close attention to the whole document” (the revised affidavit) (Tr. 11994). Standard practice at Harbison-Walker would require that he submit affidavits to their legal department for review; he recalled submitting the “initial” affidavit, but did not recall whether or not he submitted the “revised” affidavit (Tr. 12007-12008).

There was extensive testimony by Wicken at his deposition in 1963 concerning his prior knowledge of spaced shims. The earliest discussion he could recall concerning withdrawing the shims from any type of kiln shell was prior to 1950 with respect to their Cape May, New Jersey, magnesite kiln as an internal matter between Harbison-Walker and Northwest Magnesite (Tr. 11948-11949). He knew that spaced shims had been proposed for exceptional installations (Tr. 12000; Ex. CG),

but did not know of specific installations in which shims had been withdrawn from the kiln shell an appreciable distance (Tr. 12000). He stated that although there are areas of similarity between different types of kilns (e.g., cement and magnesite), they are not alike (Tr. 12019-12021).

Wicken further stated at his deposition in 1963 that if Ex. CG had been before him, he did not know what he would have signed in 1958; he might have signed the affidavit, but thought he would make a point that it would apply only to circular (arcuate) shims (Tr. 12002-12003; Tr. 12017). He then contended that, strictly speaking, spacing except as applied to an "Anderson shim" was not novel in early 1955 (Tr. 12011). Ex. CG was an internal memorandum by Snyder of Harbison-Walker directed to Wicken and others at Harbison-Walker concerning Snyder's discussion with Rochow about their Cape May magnesite kiln, and concerning:

"Another method of installation of interest is to use plates possibly 1" shorter than the brick so that the plate between the brick does not touch the shell. This is usually accomplished by using plate the same size as you now use with a 1" 90° bend in one end. This bend would be on the inner-face so as to keep the plate from dropping down between the brick too far."

No specific installation was identified in the memo, nor was it clearly shown that the same referred to a specific non-secret installation of a short shimmed kiln lining.

We would also like to comment upon the more glaring defects in the findings pertaining to the Wicken matter. Finding No. 117 (R. 3746) refers to use of deliberate spacing being specifically called to Wicken's attention at the time he was asked to sign an affidavit. This ap-

parently refers to Moore's letter to Freeman (Ex. OO) commenting that "numerous devices for installing plates" were known; however, Wicken understood this to mean double linings (Tr. 11977-11978) and not the deliberate spacing of shims from the kiln shell. Also, Wicken was not asked by Appellant to sign the affidavit, but the same was referred to him by Moore of Harbison-Walker (Tr. 11928; Tr. 11934; Tr. 11967). Finding of Fact No. 117 (R. 3746) also implies that the filed affidavit alleged Wicken's knowledge of all the contents of the patent application itself; whereas no such statement is made in the affidavit. The affidavit did not set forth his review and study of the patent application as had been done by Rentsch (Ex. 2/V, p. 86) in his first unexpected results affidavit, but only stated that Wicken was aware of the installation and performance of the Anderson shims as described in the patent application. He was aware of the same. True, the phraseology used in this respect in his affidavit may be characterized as "weasel words" as was done with respect to affidavit allegations by the court in *Martin v. Ford Alexander Corp.*, (DC SD Calif. CD 1958) 160 F.Supp. 670; however, such terminology cannot so lightly be characterized as grossly false and misleading.

Finding No. 117 (R. 3746) also refers to the Wicken affidavit statement concerning the concept of deliberate spacing possessing all the elements of a meritorious and patentable invention. Even in light of Ex. CG (which at most merely implies that there may have been a use of short shims somewhere in some type of kiln, and which use may have been secret), we submit that there is not clear and convincing proof that when he signed his affidavits Wicken "knew positively that such 'deliberate spacing' of conventional longitudinal shims had, as of 1955, long been known and practiced in the lining

of rotary kilns..." (Finding of Fact No. 117(c), R. 3748).

Finding No. 118 (R. 3749) refers to "misstatements" inserted in the final affidavit. The final affidavit was discussed with Wicken by telephone, and Rentsch's cover letter (Ex. PD) transmitting the same to Wicken specifically referred to the revision of the affidavit as to form, and to the fact that other paragraphs had been paraphrased as was discussed by telephone. Wicken had an opportunity to review the revised affidavit. Finding No. 119 (R. 3749) states that Wicken was induced to sign the affidavit on the basis that it was "changed only" to meet Patent Office requirements as to form. The evidence discussed above clearly demonstrates that this is in error. This latter finding also refers to Wicken's failure to carefully read the final affidavit and failure to submit the same to the Harbison-Walker legal department; whereas, Wicken did carefully read the affidavit (Tr. 11994), and he was unable to recall whether or not he submitted the same to his legal department (Tr. 12007-12008).

Appendix, Part 10 (see Brief, pp. 113, 115, 117, 119, 136)

INTER-OFFICE MEMORANDUM

TO George C. Davis, Jr.

DATE August 28, 1953

AT

FROM J. T. Putnam
AT

COPIES TO

F. M. Cashin
Harold Davidson
Palmer Ford
R. M. Olive

SUBJECT Monolith - Laramie

On Thursday, August 27th, I received a telephone call from Alan Johnson, Assistant Superintendent of the Monolith Cement Company plant at Monolith. He advised me that he had recently returned from their plant at Laramie, Wyoming, and that his trip to Laramie was occasioned by assisting them in the replacement of a lining in their kiln.

They were greatly troubled since the lining that was replaced had only given them two-and-a-half months of service. Previous linings have gone as long as nine months. Alan arrived before the old lining had been removed from the kiln and found that, of the 35-foot hot zone, the first ten feet still appeared to be satisfactory with seven inches of brick remaining. However, the balance of 25 feet, as he described it, was a complete mess. There were longitudinal cracks running through the lining, the lining had spalled considerably, and it had, in many places, shrunk from the shell.

The reason for this premature failure, as interpreted by them, hinges around the fact that on installation they used cardboard spacers within the rings. Several times, shortly after the kiln had been placed in operation following the installation, power failures were encountered and it was conjectured that, quite possibly pieces of coating or dust had penetrated down through the joints left by the cardboard between the bricks before they had completely expanded, thereby creating a condition conducive to spalling. It seems quite possible that such could be the case.

It, too, is quite possible that an extreme fluxing condition could have been encountered due to a high alkali mix. It would be well to get samples of brick which have been taken from the kiln for further study.

In the use of our Periclase Chrome "A" unburned brick, as supplied on our Job No. 633-R and shipped to Laramie approximately on June 26, 1953, they discovered that the $3\frac{1}{2}$ " dimension of the $9 \times 6 \times (3\frac{1}{2} - 3-1/32)$ wedge varied. On checking two brick they found that this $3\frac{1}{2}$ " dimension varied from $3-31/64$ to $3-15/32$. Since the $3\frac{1}{2}$ " dimension fits into the kiln against the shell, this variance in dimension necessitated the use of an excessive amount of double steel shims in order to keep the installation correct. They estimate that they used in the neighborhood of 500 double steel shims over and above their normal usage. They request that because of our error, we replace the 500 shims to them at no cost. This I have agreed to do.

We are, on this date, in receipt of their purchase order covering two large carloads of brick for shipment to Laramie, and I am requesting Harold Davidson, by copy of this memorandum to add to this order 500 double steel shims on a "No Charge" basis.

The Plant Superintendent, Hank Anderson, according to Alan Johnson, is becoming concerned over the loss in production caused by the additional heat loss due to the increased thermal conductivity above a 70% alumina brick. He contends that he is losing between 100 and 200 barrels of clinker per day as a result of this heat loss. This is the first time that we have had heat loss interpreted in terms of lost production.

As a general rule it has been described in terms of increased fuel consumption. For this reason they are interested in the possibility of using an installation material behind the brick and have requested our advice.

A second approach to alleviating this heat loss condition was suggested by them. They feel that, quite possibly, a good proportion of the heat is transmitted from the hot face to the cold face by the steel shims used. They thought that, perhaps, this could be corrected by leaving two inches between the end of the steel shim and the shell. It is conceivable that this might help, but I, for one, cannot understand how they could install their brick correctly with this gap at the back end of the brick. I can visualize all sorts of things going wrong. Any expression of how to correct or assist in the correction of this particular problem will be appreciated.

Alan Johnson reports that both Hank Anderson, Superintendent, and Dunc Williams, Assistant Superintendent, are presently in a very disturbed state of mind concerning our product and basic brick in general; and it is Alan's suggestion that we make a visit to their plant at our earliest possible convenience. Therefore, it is suggested that Pete plan this trip in the very near future. If convenient, I would like to accompany Pete. This account is one of extreme value to us as their purchases amount to approximately 550 tons of brick per year.

JTP:gk

INTER-OFFICE MEMORANDUM

TO J. T. Putnam
AT Oakland

DATE September 10, 1953

FROM George C. Davis, Jr.
AT Oakland

COPIES TO R. M. Olive
P. B. Ford

SUBJECT Monolith - Laramie

I refer to your complaint report of August 28th. It is unfortunate that I did not grab this ball soon enough, with the result that through other channels incorrect information reached the plant as regards to the incorrect size on Job 633-R.

As you now know, the plant was of the impression that the hot face was too small so that they paid particular attention to this dimension on the two cars which were recently shipped. After talking to Don Bussey yesterday however, I feel we will be unusually unlucky if these don't turn out to be pretty accurately sized brick.

With regards to the rest of the complaint, I see very little that can be done until you and Pete get up there to discuss the matter in detail with the operators. Offhand, it's a little hard to understand how the use of radial cardboards and the power failures could explain the short life since they told you that approximately 10' of the brick were still in good shape. At least it would appear that there was a variation in the method of installation between one part of the hot zone and the other.

One thought is, if it was they who mentioned the possibility of high alkali mix, that probably was a contributing factor. We would certainly be glad to check some of the used brick, however the chances are pretty strong that we won't learn much. Unless they were terribly loaded with alkalis we wouldn't be able to form any opinion without a yardstick in the form of other used brick which had been in some other one of their kilns for only 2-1/2 months. If any of the brick which were still 7" long are also available, we might really learn something by comparison between them and the brick that failed.

My off-the-cuff reaction to the matter as described in your memo is that there may be some connection between the excessive use of double plates, the use of circumferential expansion and the failure itself. Secondly, I've always feared that someone would get too many cardboards in the circumference. Certainly there is plenty of chance for error there, since it is not a cut and dried affair such as placing one cardboard thickness between each and every circle. We should be interested in knowing whether they left the circumferential cardboard exposed and counted them before they okayed the job.

With regard to the heat loss problem, this same question was recently raised in a different way by Cebu Portland Cement and we were forced to tell them that we would not recommend insulation. From what I can pick up here and there, the only solution is to get a darn good coating on the lining and keep it during its entire life.

The idea of using a space between the cold end of the steel plate and the shell has been raised before. I believe this might be accomplished fairly simply by bending over a one or two inch tab on our regular plate for this job. If they would like to try it, we would furnish these special plates at no extra charge, for the experiment.

GCD, Jr/og

REPRESENTATIVE'S REPORT

Representative P. B. Ford DATE March 3 1954

COMPANY Monolith Cement LOCATION Monolith, California

PERSONS CONTACTED (HOW TITLED) Dean Lowry, Asst. Supt.; Allen Johnson, Asst. Supt.; Gene Ledyard, Exec Chemist; Doug Kingsberry, M/M; Louis Brough, M/M; Joe hornberger, Asst. M/M.

PCA	CFA	CD	PD	CPD	U.S.	B.	MC	84	163	105FF	105D	102
<input checked="" type="checkbox"/>					<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>						

O, ☐ AL(OH), ☐ ACT. AL ☐ OTHERS _____

Urgent Complaint ☐ Quote Request ☐ Order Instructions ☐ Mailing List ☐ Order Coming ☐

Present kiln status follows:

#1 35' PCA unburned hot zone has been in operation since 10/31/53.

#2 went into operation 10/29/53 and was shut down 2/23/54 for a 26' burning zone reline. This is the shortest campaign for some time and gave only 3 months 24 days of service. The kiln was down only twice for other repairs during this run and no reason for short service is evident.

#3 was started 8/20/53 and taken off the line for hot zone repairs on 2/6/54, a campaign of 5 months 16 days. It was fired again with a PCA U/B lining 2/13/54.

#4 was installed 10/22/53 with a 26' PCA U/B hot zone and is due for replacement any time now. A requisition is in the mill for the brick requirements.

#5 The PCA burned 30' hot zone is holding coating well and appears to be satisfactory after 3 months service.

Johnson said that the short steel shim installation at Monolith, Laramie, appears to have increased clinker production 100 bbls. per day. Ledyard plans to go over there next week and will bring back the complete story. Gene also plans to attend a PCA meeting in Chicago this month. He states that Harbison-walker has really been pushing him for a Magnacon installation at Monolith. He is awaiting the outcome on our burned trial in #5 before making any decisions. It will be recalled that we were afraid of this unfortunate occurrence when trying to sell them the original burned lining. Otherwise everyone is on our bandwagon and very happy.

Appendix, Part 11 (see Brief, p. 116)

Jones v. Ulrich (Ill.App.ct. 1950) 342 Ill.App. 16, 95 N.E.2d 113, 87 USPQ 331.

“Defendant next contends that the complaint fails to allege the existence of a trade secret or process and further contends that without such an allegation the complaint fails. Defendant Ulrich points out that paragraphs 4 and 5 of the complaint, quoted above, alleged that defendant constructed a phosphate spreader ‘embodying plaintiff’s ideas,’ and that there is no allegation that plaintiff furnished any plans, designs, specifications or models which would give rise to the existence of a trade secret or process.

“Assuming arguendo that the absence of such an allegation would be fatal to the statement of a cause of action, the allegation of disclosure of ‘the details’ of the spreader in paragraph 4 of the complaint makes it reasonably inferable that the plaintiff’s idea was not a mere theory, but was concrete to the point where it was entitled to protection by a court of equity. We note that plaintiff’s idea was specific to an extent that the following day plaintiff was able to direct the defendant in the manner of constructing the tangible device. Plaintiff did not merely have in mind an idea, but it is fairly inferable that he had in mind a specific device which needed only his directions and the defendant’s mechanical skill to reduce it to material form within twenty-four hours.”

* * * *

“Although the idea to be protected must be concrete to a degree, there appears no requirement that it must be tangible and in a material form to entitle it to the protection of a court of equity. The principal value is in the inventive idea when clearly

defined, as it is fairly inferable that the alleged idea was defined at the time of disclosure, and it would seem arbitrary to protect the inventor against a breach of confidence only when he can immediately exhibit a material thing demonstrating his invention." [Emphasis added.]

Appendix, Part 12 (see Brief, p. 117)

Preparation For The Laramie Lining

Palmer Ford, a Kaiser brick salesman, was informed of Monolith's short shimming disclosure and believed that short shimming was an interesting sales gimmick (Tr. 9889-90). Ford acknowledged discussions with Anderson and Oberg in late 1953 and early 1954, and at a meeting with Oberg in early 1954 he recalled Oberg drawing "ears" to support an arcuate shim to keep it off the kiln shell (Tr. 9856). In his representative report of January 15, 1954 (Ex. 112/DK), Ford suggested that Kaiser should advise Monolith what Kaiser's thoughts were on the use of such short arcuate shims; however, Kaiser did not so advise Monolith (Tr. 1474). On January 22, 1954, Ford did advise Anderson, "Your ideas are certainly both logical and revolutionary." (Ex. 113/DI).

Kaiser Knowledge Of Increased Production Due To Short Shimming In The Laramie Experimental Lining

In January of 1954, a 22 foot section of the Laramie kiln burning zone was relined with Kaiser basic brick, and short shims of the arcuate type were hung on the hot face of the brick (Finding of Fact No. 26, R. 3714; Tr. 1182-86; Tr. 1448-49; Tr. 1485-86; Tr. 1518). This short-shimmed lining resulted in an apparent increase of 100 barrels per day in production and increased lining life (Tr. 5221-26; Ex. 1062).

Johnson disclosed to Ford of Kaiser in the spring of 1954 that the experimental installation appeared to increase production by 100 barrels per day (Tr. 1007) and this information was relayed in Ford's Call Report (Ex. 114/DM, Appendix, Part 10) quoted above. John Breault who worked at appellant's Monolith, California

cement plant testified that Ford told him about the basic brick and short arcuate shim installation in the burning zone at Laramie in March or April of 1954 (Tr. 1562-64).

Monolith Purchase Of Short Shims From Kaiser

On several occasions, Kaiser was provided with information concerning the configuration of the arcuate short shim embodiment to enable Kaiser to quote a price for fabricating the same for Monolith. Thus, Pete Olive of Kaiser noted in his May 4, 1954 report (Ex. 117/DP) that Monolith wanted a quotation from Kaiser on steel shims only seven inches wide so that they would be sure not to touch the kiln shell (Ex. 117/DP). Reinking of Kaiser responded to Olive on May 13, 1954 (Ex. 118/DQ), and on May 19, Kaiser sent a quotation for arcuate short shims to Monolith (Ex. 120/DT). Monolith ordered arcuate short shims from Kaiser (Ex. 126/DY, Ex. 132, Stipulation of Facts No. 1, R. 827-829 and attached exhibits, admitted R. 5444 [Ex. 7 thereof]).

After the successful field test of the short-shimmed lining at Laramie, Johnson in November, 1954 requested Ford to quote on arcuate short shims for the Monolith, California plant (Tr. 1033-1034). Ford, in his November, 1954 report (Ex. 141/EP) also noted that a similar lining was to be tried at the Monolith, California plant and requested a quote on arcuate shims for Monolith, and in December, 1954 passed on to Kaiser personnel further details of the configuration desired by Monolith (Ex. 145/ET). Reinking of Kaiser in his memo of November 30, 1954 (Ex. 144; see also Ford's request for quote, Ex. 145/ET) requested L. Kilough of Kaiser to advise of the cost of making a shim in accordance with Ford's request, and also suggested that Kaiser quote on a "L" plate (i.e., longitudinal shim) short of the cold face of the brick. This clearly indicates that Kaiser was

aware that the concept of spacing the shim from the shell was the basic common denominator of longitudinal and arcuate short shims. Monolith ordered arcuate short shims from Kaiser in March, 1955 (Stipulation of Facts No. 1, R. 827-829 and attached exhibits, admitted Tr. 5444 [Ex. 5 thereof]).

Kaiser's Appropriation of the Monolith Disclosure for its Own Purposes and Advantage Establishes the Disclosure as Concrete

We have shown that the concept of and means for carrying out short shimming to increase production was disclosed to Kaiser in a concrete and understandable form by Monolith and that such disclosure was comprehended by Kaiser. This is obvious since the test of the completeness and concreteness of a disclosure is whether the disclosee is able to practice the subject matter disclosed to him. If the disclosure enables the disclosee to reduce the information to tangible form, there can be no doubt that a complete and concrete disclosure was made.

Here, Kaiser was quick to appropriate the Monolith disclosure to its own advantage by persuading its customers to field test linings employing short-shimmed brick which Kaiser manufactured without difficulty and offered for sale. Shortly after Monolith had observed the benefits of short shimming in its early 1954 Laramie lining and disclosed them to Ford of Kaiser (Ex. DM-114), he described the use of short shims to John Sauer of Riverside Cement Company and before February of 1955, a lining consisting in part of short-shimmed brick was installed at the Riverside Oro Grande plant (Finding of Fact No. 54, R. 3722) for field test, i.e., experimental, purposes. Later, in 1955, Kaiser made other sales to Riverside Cement Co. and Southwestern Port-

land Cement Co. of conventional basic brick using short shims (Findings of Fact Nos. 56 and 57, R. 3722) for field test purposes. Kaiser's activity in the field of short shimming immediately after the disclosure of the successful experimental installation by Monolith confirms that Monolith's original disclosure was understood clearly enough by Kaiser personnel so that they could put it into tangible form for the purpose of field testing by Kaiser's customers.

The Evidence Establishes That The Monolith Disclosure Had Value

The trial court itself found evidence of the value of cement kiln linings using short shimming in the fact that the "UNITAB" brick, which used short shims, was a commercial success (Finding of Fact No. 52, R. 3721), although it indicated that the commercial success of "UNITAB" brick derived more from its unitary character than from its use of a short shim. Thus, this finding indicates that the short shim *did* contribute to the commercial success of the brick and supports appellant's contention that the commercial success of the "UNITAB" short shim brick establishes the value of short-shimmed linings, and it must be kept in mind that we are here concerned only with *whether* the short shimming concept had value, not with how much.

Additionally, Kaiser's advertisements indicate that short shimming has value and increases kiln efficiency. Exhibit 73, a Kaiser advertisement entitled "Kaiser Unitab Kiln Liners" states:

"Half-inch gap between end of shim and shell acts as heat buffer to reduce shell temperature for greater kiln efficiency".

Thus, Kaiser acknowledged and even championed the principle that linings employing short shimming result

in greater kiln efficiency. Monolith has the same belief; only the lower court has a different view. The court attempted to explain away the Kaiser advertisement in its memo of decision (p. 118, R. 3677) as follows:

“Kaiser’s advertisements claimed increased kiln efficiency. In terms of reduced cost of clinker, reduced labor costs alone would sustain the advertisement. In terms of longer lining life, in the long run the insurance against faulty installation would be sure to produce a better lining which would last longer. Lasting longer, taking less time for installation, would both contribute to an increase in production. Kaiser’s claims for its product may be justified without reference to a noticeable increase in daily production and they do not constitute an admission of the efficacy of spacing the shims from the shell in terms of plaintiff’s claimed disclosures.”

The difficulty with the court’s explanation is that it does not go to the increased kiln efficiency asserted in the advertisement. Efficiency does not increase because of reduced labor cost longer lining life since the first involves only pre-operation expense and the second length of operation rather than effectiveness of operation. Rather, we must look for a factor involving an operating condition of the kiln and the advertisement itself tells us what the increased efficiency results from when it refers to the heat buffer effect of the short shim. Thus, the court’s attempt to explain out of existence Kaiser’s own statements of the value of short-shimmed linings is entirely without effect because it simply misses the point. For the same reasons, there can be no doubt that the evidence establishes exactly that which the court required be proved (memo of decision, p. 111, R. 3670):

“The nature of the information claimed to have been confided is defined in the pretrial order at page

32. Briefly stated, it is: That if the shims used between basic bricks in the ring are suspended on the hot face of the brick so that a space is left between the shim and the shell, a more efficient and more durable kiln and kiln lining will result. Pursuing the thread of analysis commenced above, plaintiff must prove that this is so."

"Nor is it an adequate answer for defendant to say that the transactions with plaintiffs were at arms length. So, too, were the overall dealings between plaintiffs and defendants in *Booth v. Stults Motor Car Co.*, 7 Cir., 56 F.2d 962; *Allen-Qualley Co. v. Shellmar Products Co.*, D. C., 31 F.2d 293, affirmed, 7 Cir., 36 F.2d 623 and *Schavoir v. American Rebonded Leather Co.*, 104 Conn. 472, 133 A. 582. The fact does not detract from the conclusion that but for those very transactions defendant would not have learned, from plaintiffs, of the container design. The implied limitation on the use to be made of the information had its roots in the 'arms-length' transaction."

"Where, as here, the parties are a seller and a prospective purchaser, certain disclosures will usually be made about the thing which is for sale so that the purchaser may rationally assess the merits of concluding the bargain. If the information disclosed is of such a nature as to otherwise qualify as a trade secret, we think the prospective buyer is bound to receive the information in confidence. *Speedry Chemical Prods., Inc. v. Carter's Ink Co.*, supra; *Smith v. Dravo Corp.*, 203 F.2d 369 (7 Cir. 1953); *Schreyer v. Casco Prods. Corp.*, 190 F.2d 921 (2 Cir. 1951), cert. denied, 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683 (1952); *Hoeltke v. C. M. Kemp Mfg. Co.*, 80 F.2d 912 (4 Cir. 1935). As the pros-

pective buyer is given the information for the limited purpose of aiding him in deciding whether to buy, he is bound to receive the information for use within the ambit of this limitation. He may not in good conscience accept the information; terminate negotiations for the sale; and then, using vital data secured from the would-be seller, set out on a venture of his own. *Whatever conduct courts should countenance when parties bargain at arm's length, we think parties should be expected to comply with these essentials of fair dealing.*" (Emphasis added)

Appendix, Part 13 (see Brief, p. 124)

Smith v. Dravo Corp., (7 Cir. 1953) 203 F.2d 369, at 376-77:

“Nor is it an adequate answer for defendant to say that the transactions with plaintiffs were at arms length. So, too, were the overall dealings between plaintiffs and defendants in *Booth v. Stults Motor Car Co.*, 7 Cir., 56 F.2d 962; *Allen-Qualley Co. v. Shellmar Products Co.*, D. C., 31 F.2d 293, affirmed, 7 Cir., 36 F.2d 623 and *Schavoir v. American Rebonded Leather Co.*, 104 Conn. 472, 133 A. 582. The fact does not detract from the conclusion that but for those very transactions defendant would not have learned, from plaintiffs, of the container design. The implied limitation on the use to be made of the information had its roots in the ‘arms-length’ transaction.”

Appendix, Part 14 (see Brief, p. 124)

Heyman v. Ar. Winarick, Inc., (2 Cir. 1963) 325 F.2d 584, at 587:

“Where, as here, the parties are a seller and a prospective purchaser, certain disclosures will usually be made about the thing which is for sale so that the purchaser may rationally assess the merits of concluding the bargain. If the information disclosed is of such a nature as to otherwise qualify as a trade secret, we think the prospective buyer is bound to receive the information in confidence. *Speedry Chemical Prods., Inc. v. Carter’s Ink Co.*, supra; *Smith v. Dravo Corp.*, 203 F.2d 369 (7 Cir. 1953); *Schreyer v. Casco Prods. Corp.*, 190 F.2d 921 (2 Cir. 1951), cert. denied, 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683 (1952); *Hoeltke v. C. M. Kemp Mfg. Co.*, 80 F.2d 912 (4 Cir. 1935). As the prospective buyer is given the information for the limited purpose of aiding him in deciding whether to buy, he is bound to receive the information for use within the ambit of this limitation. He may not in good conscience accept the information; terminate negotiations for the sale; and then, using vital data secured from the would-be seller, set out on a venture of his own. *Whatever conduct courts should countenance when parties bargain at arm’s length, we think parties should be expected to comply with these essentials of fair dealing.*” (Emphasis added)

Appendix, Part 15 (see Brief, p. 126)

Micek v. Radiator Specialty Co., (S.D. Cal. (1961) 135 USPQ 220, at 222-23:

“I should also like to further quote the late Associate Justice Latourette, then Chief Justice, from *McKinzie*, *supra*, pp. 195-6, 96 USPQ at 360:

‘If our system of private enterprise on which our nation has thrived, prospered and grown great is to survive, fair dealing, honesty and good faith between (mutually negotiating) parties must be zealously maintained; therefore, if one who has learned of another’s invention through (good-faith negotiation for) contractual relationship, such as in the present case, takes unconscionable and inequitable advantage of the other to his own enrichment and at the expense of the latter, a court of equity will extend its broad powers to protect the party injured. This is in consonance with the rule enunciated in *Consolidated Boiler Corp. v. Bogue Electric Co.*, 141 N.J.Eq. 550, 58 A.2d 759, 77 USPQ 483, and *Pidot v. Zenith Radio Corp.*, 308 Ill App 197, 31 N.E.2d 385, which in our opinion, are premised on logic and clear reasoning.’”

Appendix, Part 16 (see Brief, p. 126)

Kamin v. Kuhnuu, (Ore. S. Ct. 1962) 232 Or. 139, 374 P.2d 912, 135 USPQ 133, at 137:

“However, we favor the principle expressed in *Smith v. Dravo*, which provides a more extended protection to the person disclosing information in confidence. The choice of these views will be governed by one’s opinion as to the appropriate standard of commercial morality. The cases reflect the varying views as to where the standard should be set. It has been noted that the ‘tendency of the law, both legislative and common, has been in the direction of enforcing increasingly higher standards of fairness or commercial morality in trade.’ 3 Restatement, Torts, Introductory Note to ch. 35, p. 540. The cases adopting the higher standard of ‘commercial morality’ emphasize the breach of the confidence reposed in the defendant, rather than the existence of the trade secret. As the court stated in *Vulcan Detinning Co. v. American Can Co.*, 72 N.J.Eq. 387, 67 A. 339, 343 (1907) ‘too much emphasis has perhaps been placed upon the element of absolute secrecy in the process, and that not enough stress has been laid upon the inequitable character of the defendants’ conduct in making a use of such progress that was inimical to the complainant’s interests. * * * (T) he secrecy with which a court of equity deals is not necessarily that absolute secrecy that inheres in discovery, but that qualified secrecy that arises from mutual understanding, and that is required alike by good faith and by good morals.’ On similar grounds the element of novelty has been minimized, the emphasis being placed upon the unfairness to plaintiff if defendant is permitted to appropriate the plaintiff’s idea.”

Appendix, Part 17 (see Brief, p. 133)

Futurecraft Corp. v. Clary Corp. (Dist.Ct.App. 1962)
205 Cal.App.2d 279, 23 Cal.Rptr. 198:

“In discussing ‘Novelty and prior art’ Restatement of the Law, Torts, Volume 4, section 757, comment b, pp. 6-7, provides in part as follows:

‘Novelty and prior art. A trade secret may be a device or process which is patentable; but it need not be that. *It may be a device or process which is clearly anticipated in the prior art or one which is merely a mechanical improvement that a good mechanic can make.* Novelty and invention are not requisite for a trade secret as they are for patentability. These requirements are essential to patentability because a patent protects against unlicensed use of the patented device or process even by one who discovers it properly through independent research. The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. *The protection is merely against breach of faith and reprehensible means of learning another’s secret. For this limited protection it is not appropriate to require also the kind of novelty and invention which is a requisite of patentability.*’ (Emphasis added.)

“Absent a situation where the device or process is so widely known as to be within the public domain, it is clear that prior art will not be a defense *where there is a breach of confidence.*”

Appendix, Part 18 (see Brief, p. 134)

Grepke v. General Electric Co., (7 Cir. 1960) 280 F.2d 508, at 512:

“If, as the jury evidently believed from the evidence, defendant in 1940 solicited and obtained in confidence plaintiff’s idea and in 1953 Pugh appropriated that idea for defendant’s benefit, we consider irrelevant the alleged fact that in 1954, or even before then, from sources other than plaintiff, a similar method had been adopted in the industry. Certainly defendant does not contend that Pugh resorted to general knowledge in the industry in reaching the result which he claimed to have achieved in 1953.

“In *Smith v. Dravo Corp.*, 203 F.2d 369, 375, we said, quoting from *Nims, Unfair Competition and Trade Marks*, sec. 148:

“The fact that a trade secret is of such a nature that it can be discovered by experimentation or other fair and lawful means does not deprive its owner of the right to protection from those who would secure possession of it by unfair means.’”

Appendix, Part 19 (see Brief, p. 134)

A. O. Smith Corp. v. Petroleum Iron Works Co., (6 Cir. 1934) 73 F.2d 531, at 538-539:

“The mere fact that the means by which a discovery is made are obvious, that experimentation which leads from known factors to an ascertainable but presently unknown result may be simple, we think cannot destroy the value of the discovery to one who makes it, or advantage the competitor who by unfair means, or as the beneficiary of a broken faith, obtains the desired knowledge without himself paying the price in labor, money, or machines expended by the discoverer. Facts of great value may, like the lost purse upon the highway, lie long unnoticed upon the public commons. Hundreds pass them by, till one more observant than the rest makes discovery. It is idle to say that, in the eyes of the law, interest may not in such case follow discernment. We think the court below was right in rejecting the master’s application of the law in respect to those secret processes held by the master to be invalid for the reason that they were in the public domain, or within the reach of the skilled mechanic in the trade.”

Appendix, Part 20 (see Brief, p. 135)

L. M. Rabinowitz & Co., Inc. v. Dasher, (N.Y.S.Ct. 1948) 78 USPQ 163, at 166:

“The court will not speculate on whether Dasher or the other defendants might have waded through the ‘prior art’ and perhaps might have acquired enough information to be able to construct imitations of plaintiff’s machines. It is easy for the defendants’ experts to point to various parts of plaintiff’s machines which may now be in the public domain, and having seen and examined the plaintiff’s machines, to state that they could have been constructed by a skilled mechanic who knew the ‘prior art.’ The fact remains that until Dasher copied the plaintiff’s machines, no one else had constructed one which was nearly as good as the plaintiff’s.”

Appendix, Part 21 (see Brief, p. 135)

Trenton Industries v. A. E. Peterson Mfg. Co., (S.D. Cal. 1958) 165 F.Supp. 523, at 532:

“The facts of this case bring the situation that confronts the court in the second count within these principles. The defendant, however, explained that after he received and examined the plaintiff’s chair he happened to be in his church one time and saw that the chairs that were used in the church had a similar folding mechanism, or so he thought, as is found in the plaintiff’s structure, and consequently he felt free to use that structure because his theory was that it was then in the public domain. It is significant, however, that he had seen these church chairs on numerous prior occasions, but he did not take any particular notice of them and did not derive the thought that it was possible to use a similar mechanism in manufacturing a high chair, until he received and scrutinized the plaintiff’s disclosure. It would seem, therefore, to the court that he was using this other structure, which has been denominated throughout the case as the church chair, as an afterthought and as an excuse for using the idea that was communicated to him by the plaintiff through an intermediary.”

Appendix, Part 22 (see Brief, p. 138)

Booth v. Stutz Motor Car Co. of America, (7 Cir. 1932)
56 F.2d 962, at 968:

“With this knowledge of the Booth designs, and with the purpose of producing a car which proved to be generally similar in design, is it at all likely that Chief Engineer Crawford entirely banished from his mind the Booth plans, specifications, designs, and drawings, which only a short time before he had so intimately examined, and in such detail had approvingly reported upon? If Crawford’s denial be accepted, and he be absolved from any purposeful appropriation for Stutz of any part of the Booth designs or plans, the influence of the Booth designs upon the new Stutz car *must have been the result of Crawford’s ‘unconscious assimilation’ of them, which, however wanting in intent, none the less constituted an appropriation of the Booth designs so far as their novel features entered into the new Stutz car, involving none the less a breach of the trust and confidence under which Booth’s plans and designs were turned over to Stutz.*

“True, the Booth blueprints and designs were not literally copied in their every detail. There were many departures, more or less substantial. But salient features mentioned in Crawford’s report were undoubtedly incorporated in the Stutz car.” [Emphasis added.]

* * * *

“To the extent, therefore, that the Booth plans, communicated in confidence to Stutz, did enter into the design of the Stutz car, Stutz did inequitably appropriate those plans, and should account to Booth therefor.”

Appendix, Part 23 (see Brief, p. 139)

Mycalex Corp. v. Pemco Corp., (D.Md. 1946) 64 F.Supp. 420, at 425:

“Of course we take full account of the fact that in determining the question of liability for disclosure or use of another’s trade secret, according to the principles of law which we have hereinbefore stated, there is no requirement to prove, in order to impose liability, that the alleged offender use such trade secret in precisely the form in which it was disclosed to him. He may be liable even though he use it with various modifications or improvements, as a result of his own efforts.”

Appendix, Part 24 (see Brief, p. 141)

Underwater Storage, Inc. v. United States Rubber Co., (D.C. Cir. 1966) 371 F.2d 950, at 955:

“ . . . It is the continuing use of another’s secret, wrongfully obtained, or used after knowledge that it has been wrongfully obtained, that makes the tort a continuing one. Once the secret is out, the rest of the world may well have a right to copy it at will; but this should not protect the misappropriator or his privies. Their gain is ill-gotten and the passage of time or publication to the rest of the world should not serve to cleanse their hands. See *International News Serv. v. Associated Press*, 248 U.S. 215, 239, 39 S.Ct. 68, 63 L.Ed. 211 (1918).

“Appellant has cited in support of its argument numerous cases from other areas of law holding in general that the statute of limitations begins to run anew with each new invasion of a subsisting right of another. It would serve no purpose for us to specifically analyze these cases in detail here-- suffice it to say that we agree with appellant that, with respect to their specific subject areas of the law, they stand for the proposition that a cause of action for each invasion of the plaintiff’s interest arose at the time of that invasion and that the applicable statute of limitations ran from that time and not from the time of the first invasion. These cases provide strong analogical support for the rule argued for in the instant case by appellant and appellee has not persuaded us to the contrary.

“Finally, we have examined the competing policy considerations urged by the parties and have concluded that the balance must be struck in favor of those argued for by appellant. We believe the rule

should be that in trade secret cases where the secret has been misappropriated the wrongdoer and his privies are amenable to suit for any use of the secret so long as the use has occurred within the statutory period of limitations immediately preceding the bringing of the action.”

Appendix, Part 25 (see Brief, p. 141)

A cause of action has been held to accrue from day to day with the applicable statute of limitations running from each invasion in anti-trust action, *Foster & Kleiser Co. v. Special Site Sign Co.*, (9 Cir. 1936) 85 F.2d 742, 751; *Momand v. Universal Film Exchanges*, (1 Cir. 1948) 172 F.2d 37, 49; *Williamson v. Columbia Gas & Elec. Corp.*, (3 Cir. 1950) 186 F.2d 464, 469; *Highland Supply Corp. v. Reynolds Metals Company*, (8 Cir. 1964) 327 F.2d 725, 732; *Charles Rubenstein, Inc. v. Columbia Pictures Corp.*, (D.Minn. 1957) 154 F.Supp. 216, 219; *Delta Theaters v. Paramount Pictures, Inc.*, (E.D.La. 1959) 158 F.Supp. 644, 649; *Radio Corporation of America v. Rauland Corp.*, (N.D.Ill. 1956) 186 F.Supp. 704, 707; *Highland Supply Corp. v. Reynolds Metals Company*, (E.D.Mo. 1965) 238 F.Supp. 561, 564, in continuing nuisance cases *Baltimore & P. R. Co. v. Fifth Baptist Church*, (1891) 137 U.S. 568, 577, 11 S.Ct. 185, 34 L.ed. 784; *Harrisonville v. W. S. Dickey Clay Mfg. Co.*, (1933) 289 US 334, 341, 53 S.Ct. 602, 77 L.ed. 1208, in trademark infringement cases, *Menendez v. Holt*, (1888) 128 US 514, 523, 9 S.Ct. 143, 32 L.ed. 526; *Midy v. Midy Laboratories, Inc.*, (S.Ct. N.Y. 1948) 77 USPQ 429, 431, and in personal injury cases, *Pieczonka v. Pullman Company*, (2 Cir. 1937) 89 F.2d 353, 356; *Daniels v. Beryllium Corp.*, (E.D. Pa. 1962) 211 F.Supp. 452, 456.



No. 21775

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

MONOLITH PORTLAND MIDWEST COMPANY, a Nevada
corporation,

Appellant,

vs.

KAISER ALUMINUM & CHEMICAL CORPORATION, *et al.*,

Appellees.

VOLUME I.

APPELLEES' BRIEF.

(Appendix in Volume II).

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VOLUME I.
APPELLEES' BRIEF.

JURISDICTION AND THE PARTIES.

Appellant (sometimes referred to herein as "Plaintiff" or "Monolith") has correctly stated the nature and jurisdictional basis of the action.

Appellees (successful Defendants below) are correctly identified in Appellant's brief [p. 2] and will at times hereinafter be referred to collectively as "Appellees" or "Defendants". The term "Kaiser" will be used herein to designate either or both of the Defendant Kaiser companies where no distinction is required in context.

STATEMENT OF THE CASE.

Appellant's statement of the case while generally correct is unduly terse and fails to apprise this Court of many important aspects of the trial below.

Manifestly, this appeal is directed primarily to the award of attorneys' fees made in favor of Appellees by the trial court.* The award of attorneys' fees herein was grounded generally on the bad faith of the Plaintiff, not only in its fraudulent conduct before the Patent Office, but in the manner in which it presented its case in the trial below. See Memorandum of Decision R**3707-8.

By so preparing and presenting its case that it was impossible during discovery or during the trial itself for either the court or counsel to separately treat the "confidential disclosure" and fraudulent patent claims, [Supplemental Memorandum of Decision R 4665], Plaintiff managed to parlay a trade secret case, the merits of which could easily have been tried in a week or less, into an almost interminable patent trial, the monstrous record of which is now before this Court.

Because the primary issue before this Court involves, in very important measure, Plaintiff's conduct and its manner of presentation below, a statement of the proceedings in the trial court, in somewhat greater than usual detail, is required and is set forth as follows.

The Original Complaint.

On June 6, 1958, Appellant-Plaintiff instituted this action alleging confidential disclosure to Defendant Olive*** in 1954, and subsequent misappropriation by Defendants of Plaintiff's "valuable information" which,

*Note that Appellant concedes that at least 103 out of the 145 pages of its Brief are devoted to the subject of attorneys' fees without reaching "the issues relating to the merits of this case." Brief, p. 103.

**The letter "R" refers to the Record on Appeal, "SR" to the Supplement to the Record on Appeal dated August 11, 1967, "Tr." to the Reporter's Transcript of Proceedings, "STr." to the post-trial transcript and "Ex." to exhibit.

***Named but never served.

it was further alleged, was the subject of Plaintiff's pending patent application. The complaint further alleged wrongful use of such information by embodying the same in a particular type of rotary kiln liner which Defendant Kaiser manufactured and sold and on which Kaiser had obtained U. S. Letters Patent No. 2,829,877* on an invention of Defendant Davis. No answer to the original complaint was filed.

The Amended Complaint — Patent Infringement Charged.

On July 21, 1959, U. S. Letters Patent 2,895,725** issued to Plaintiff on the application referred to in the original complaint. Said patent, allegedly covering the invention of Plaintiff's employee, Frank J. Anderson, issued on an application filed December 26, 1956 as a continuation-in-part of Plaintiff's earlier application filed February 4, 1955 (hereinafter called the "parent" application).

Shortly after the Anderson patent issued to Plaintiff, the complaint was amended and supplemented to add a count for patent infringement.

The Answer.

Issue was joined on Plaintiff's amended complaint and Defendants' Answer thereto (filed February 10, 1960). The Answer was in effect a general denial and also raised—among others—the affirmative defense that the patent had been obtained by means of misrepresentations made to the Patent Office during prosecution of the application therefor. Defendants sought—in addition to dismissal of the action, and costs,—an award of attorneys' fees.

*Hereinafter referred to as the "Davis patent" (not in suit).

**Hereinafter referred to as the "Anderson patent" or the "patent in suit".

Following the filing of the Answer, considerable discovery ensued, accounting for some 611 pages of the Record, exclusive of deposition transcripts.

The Motion for Summary Judgment.

On November 22, 1961, Defendants filed a Motion for partial Summary Judgment seeking judgment of invalidity of the patent in suit under 35 USC 102(b) (public use or sale more than one year prior to the application date). In support of their motion, Defendants submitted affidavits and business records showing several sales and uses of the accused device all more than one year prior to December 26, 1956, the date of Anderson's continuation-in-part ("C-I-P") application (*but not*, it should be noted, prior to the parent application).

Plaintiff, on January 25, 1962, filed its opposition to the Motion for Summary Judgment arguing in substance that the motion should be denied because two "genuine" issues of fact required plenary trial including expert testimony, to wit:

1. Was the invention of the claims in issue, as contended by Plaintiff, disclosed in the *parent* application thus entitling Plaintiff to an effective filing date of February 4, 1955 and avoiding the statutory bar?
2. Were the sales and uses shown by Defendants' affidavits, as contended by Plaintiff, "experimental" and thus not within the statute?

Plaintiff submitted counter-affidavits purporting to raise the above noted issues and argued that it could and would submit evidence at trial to support its contentions. Plaintiff also argued that in any event, the six causes of action were interrelated, and the same basic facts were integral to all causes thus rendering partial Summary Judgment inappropriate and requiring that all

causes be tried together. The motion was heard on January 11 and July 20, 1962.

The trial court took the Summary Judgment motion under submission and, on September 28, 1962, denied it [R 1103] stating in effect that there remained for trial issues as to “experimental” use vs. sale and “public use” and as to whether or not essential elements of the claims in issue were disclosed in Anderson’s parent application and carried over into the C-I-P.

Again, considerable discovery ensued accounting for some 469 further pages of record, again exclusive of transcripts of depositions and court hearings.

The Pre-Trial Conference.

On October 9, 1963, after two preliminary conferences in chambers, an eleven day pretrial conference was held. During this conference, the court attempted to crystallize and delineate Plaintiff’s contentions and claims and narrow the issues to be tried. Also during pretrial, Plaintiff, by leave of court and over Defendants’ objections, amended the complaint to allege a first disclosure of its valuable information in 1953 instead of in 1954, as originally alleged.

During pretrial, Defendants urged the court to direct an order of proof which would have enabled the court to consider separately and initially the question of the statute of limitations, thus, if it found in Defendants’ favor, to eliminate the confidential information causes and confine the trial on the merits, to the patent cause. R 1573 *et seq.* Again, Plaintiff argued that Defendants were attempting to “fragment” the case and that it would be highly unjust to Plaintiff to segregate the issues or consider them separately. R 1639 *et seq.*

Accordingly, the court denied Defendants’ request for a directed order of proof.

At the conclusion of the eleven day conference, a pre-trial order of 116 pages including exhibits was entered on November 8, 1963. SR 30-149.

The Presentation of Plaintiff's Case.

Trial commenced on November 8, 1963 and proceeded (with some interruptions due to matters outside the present record) until May 1, 1964 at which time Plaintiff rested. During the presentation of Plaintiff's case, some 14 witnesses testified at trial and five by deposition and approximately 300 physical and documentary exhibits were introduced, some of them constituting files having hundreds of pages therein.

The Motion to Dismiss.

At the close of Plaintiff's case, Defendants submitted a Motion under Rule 41(b) F.R.C.P. to dismiss all but the patent count on the grounds that Plaintiff had failed to make out a case of misappropriation of confidential information.

The Rule 41 Motion was briefed by both parties [See SR 150, Defendants' 111 page printed brief and R 2445, Plaintiff's 295 page typed brief], was argued on July 10, 1964 [Tr. pp. 5775 through 5937] and taken under submission by the Court.

One of the arguments strongly urged by Plaintiff in opposition to the Rule 41 motion was: "The patent and non-patent causes of action are . . . inextricably intermingled and cannot, consistent with substantial justice, be considered and decided separately" [R 2450-2465.]

On September 30, 1964, the court denied Defendants' Rule 41 motion without comment.*

*One of the reasons for denying the Rule 41 motion was made clear by the court at a post-trial hearing on October 6, 1966 STr. 62 *et seq.* At page 26 of the transcript of that

The Balance of the Trial.

After a trial which together with the pretrial conference extended over some twenty months and consumed 100 court days, the Court on June 7, 1966, rendered a decision in favor of Defendants on all six causes of action. The court also found the case to be "exceptional" within the meaning of 35 USC 285 specifically stating as the basis for such finding that:

1. Plaintiff obtained its claims through fraudulent representations to the Patent Office*, to wit:
 - (a) Deliberate concealment of statutory bars;
 - (b) Falsehoods in a Petition to Make Special;
 - (c) Misrepresentations as to "unexpected results"; and
 - (d) False statements of novelty in an affidavit by one Oscar Wicken procured by Plaintiff and filed in the Patent Office.

hearing [Post Trial Tr. 85], the court said, in effect, that to eliminate the trade secret causes by a dismissal at that stage would still leave the patent defenses to be tried which would then permit Plaintiff to introduce in rebuttal, evidence which had been excluded during the Plaintiff's case. Such evidence, Plaintiff assured the court, would plug any apparent loopholes in Plaintiff's case in chief.

However, the court went on to point out [Post Trial Tr. 86] that when the time for rebuttal arrived the promised evidence was not forthcoming. This the court obviously viewed as an additional instance of Plaintiff's pursuing a cause beyond the point where it was obviously hopeless. See Finding 133(a).

*The Court's statement in its Memorandum of Decision that it was adopting Defendants' proposed finding *re* fraud [See R 3706] is an obvious reference to the proposed findings set forth in Defendants' post-trial brief which was submitted to the court *prior* to final argument and thus, of course, long prior to the Memorandum of Decision. Defendants' opening post-trial brief appears in the Record commencing on page R 3119 and at pp. 88 through 144 [herein referred to as R 3119/pp. 88 through 144] thereof appears Defendants' analysis of how the evidence supports the finding of fraud. See also p. 3 [R 3119/p. 3] as to the nature and intent of the "Proposed Finding" headings used in the brief.

2. The litigation was unduly prolonged by:
 - (a) Plaintiff's reluctance to disclose what claims Plaintiff intended the counts of the complaint to embrace;
 - (b) Plaintiff's frustration of the purpose of pretrial; and
 - (c) Plaintiff's adopting of extreme positions and strained constructions of the evidence.

The trial court included in its memorandum an order that a separate hearing be had on the amount of reasonable attorneys' fees to be awarded and that additional evidence would be received at said hearing.

Post-Trial Proceedings — Attorneys' Fees and Findings.

On July 15, 1966, Defendants lodged their proposed formal Findings of Fact, Conclusions of Law and Judgment pursuant to Local Rule 7. On the same date, Defendants requested a hearing and order on the amount of attorneys' fees to be awarded and submitted their *prima facie* showing and a brief in that regard. R 3709 through 3782. August 8, 1966 was set as the date for hearing the matter of attorneys' fees but at Plaintiff's request, this date was further continued—first to October 19 and then to November 28, 1966.

In the time intervening between July 15, 1966 when the findings were lodged and November 28, 1966 when the matter of attorneys' fees was argued, Plaintiff associated new counsel who have conducted the case for Plaintiff from and after August 11, 1966. See R 4510

Several motions and court hearings relating to new discovery ensued and pursuant to request of new counsel and by order of the court, a great volume of documentary material bearing on the amount of attorneys' fees was made available to Plaintiff's new counsel. R 4511

New counsel also indicated that they desired to file objections to Defendants' proposed findings [Post Trial Tr. 18-19] and on August 18, 1966, the court ordered that Plaintiff's objections to the findings be filed by October 26 (later continued by the court to November 2) and that a hearing thereon would be held on November 16, 1966 (later continued by the court to December 5) See R 4538. However, in spite of the above noted request and order Plaintiff expressly declined to file any specific objection to the proposed findings. R 4640

Briefs on the attorneys' fees question were submitted by both sides [Defendants at R 4539-4567, Plaintiff at R 3910-3942] and on November 28, 1966 a hearing was held at which time evidence was received and the matter argued by counsel. The court took this question under submission.

On January 6, 1967, the court filed its Supplemental Memorandum of Decision re Attorneys' Fees [R 4665] and signed, filed, and entered the Findings of Fact, Conclusions of Law and Final Judgment. The Findings of Fact and Conclusions of Law proposed and lodged by Defendants were amended by the court and as so amended appear at R 3709 through 3762 and in the Appendix to this Brief.

The Final Judgment appears at R 4672-3 and in substance, dismisses all claims with prejudice, declares the patent claims in suit invalid and awards Defendants costs and \$280,000 as reasonable attorneys' fees.

The trial court's two Memoranda of Decision, its ruling on Plaintiff's post-trial discovery motion and its Findings of Fact and Conclusions of Law are set forth in Appellee's Appendix submitted herewith.

STATEMENT OF THE SUBJECT MATTER
IN CONTROVERSY.

In stark contrast to the immensely complex record below*, the alleged invention and trade secret which is the heart of the controversy is extremely simple.

Rotary kilns are large steel pipes rotating on a nearly horizontal, but slightly inclined axis used for burning, roasting, calcining, and otherwise heat treating various materials (*e.g.*, limestone to make cement). Such kilns are conventionally lined with successive rings of key-stone shaped refractory bricks and heat is applied by directing a flame of burning oil or gas up the axis of the kiln while the treated material counter-flows down the inclined kiln as it rotates. One purpose of the refractory lining is to keep the heat inside the kiln instead of permitting it to escape through the walls of the pipe or “shell” as it is called. An illustration of a typical rotary kiln is shown in the Appendix to Appellant’s Brief (Vol. II) at page 33.

In some kiln linings—usually those in which chemically “basic” or non-acid bricks are used—relatively thin flat metal plates or “shims” are conventionally placed between adjacent bricks in each ring and when heated react with the brick and fuse them together to strengthen the lining.

What has been described so far is conventional. What Plaintiff claimed to have invented is the supporting

*An index of the more salient papers and depositions included in the record below is set forth at R 4568 through 4590. Before the actual trial even commenced, a record of over 2280 pages (exclusive of depositions and other transcripts) had been accumulated.

of the shims between the bricks of a kiln lining in such a manner as to be out of contact with the metal shell, thus to avoid undesired transfer of heat through the shims to the shell.

The invention and “trade secret” *claimed* by Plaintiff was, by agreement of both parties, defined in the Pre Trial Order as follows:

“In the construction of rotary cement kiln hot zone linings composed of magnesite-chrome basic brick and the metal plates which were conventionally required to be used with such bricks, the flanging or attaching such plates to the hot face [the face exposed to the interior of the kiln] of such brick so as to space them, or short shim them, from the kiln shell would result in a stronger, more efficient and more durable kiln and kiln lining in operation.*” ([....] added) SR 65

The term “spacing” has been adopted by the parties and used in the trial below to describe the kiln lining practice described above and any shim or metal plate used in such lining which is supported to effect spacing was usually referred to in the trial as a “short shim”.

“*Defendants, of course, do not admit that this, or any other information of plaintiff was wrongfully appropriated, or that this is in fact or law a trade secret.”

[footnote in original]

Plaintiff employed “spacing” as one feature of its so-called Anderson shim disclosed to Defendants. An illustration of the Anderson shim so disclosed is shown below in Fig. I.

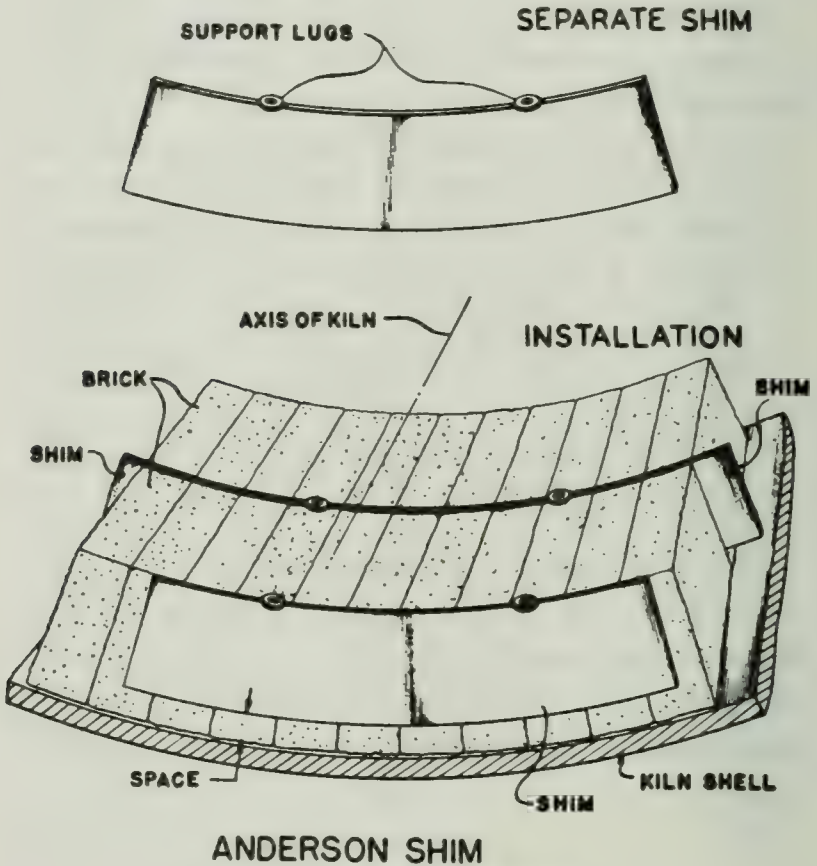


FIG. I — ANDERSON SHIM.

From Pre Trial Order Exhibits SR 100

Defendant Kaiser also employed "spacing" as one feature of its so-called UNITAB* kiln liner. An illustration of the UNITAB liner appears below in Fig. II.

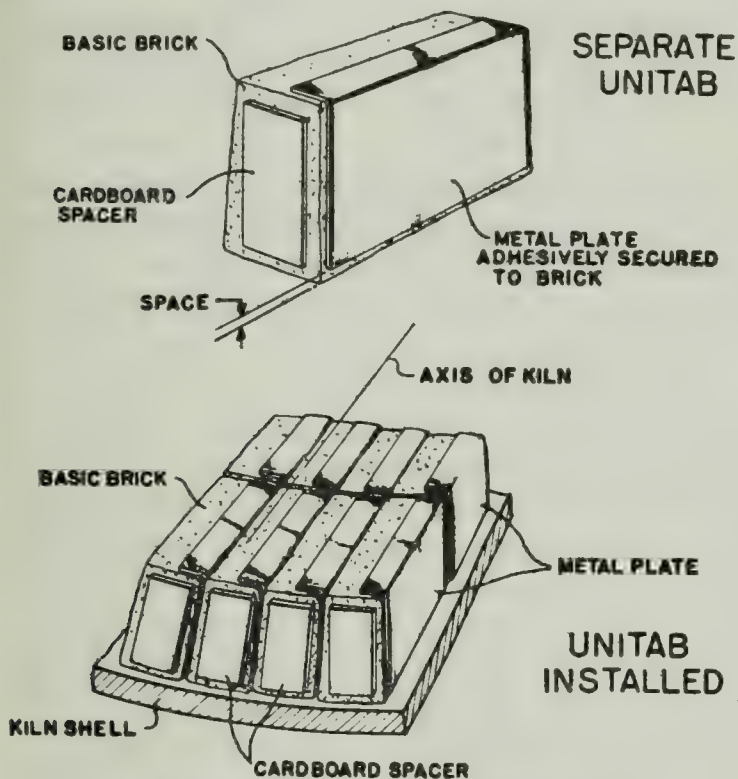


FIG. II — UNITAB KILN LINER.

From Pre Trial Order Exhibits SR 102
(Ref. to "SPACE" added)

*Kaiser's registered trademark adopted sometime subsequent to the first marketing of such liners.

As is apparent from a comparison of Figs. I and II, the Anderson shim and the bent plate on the UNITAB liner differ greatly in many respects, *e.g.*, size relative to the brick, orientation in the kiln, amount of spacing, means of support, adhesive attachment to the brick, etc. The only common denominator is the fact that in both cases the lower edge of the shim does not touch the kiln shell.

It is this common denominator, *i.e.*, “spacing” that constitutes the entirety of the allegedly proprietary subject matter in dispute and the allegedly novel feature of the claims in suit. It was upon this basis that the matter was tried.

Plaintiff-Appellant contends that, as between the parties at least, it discovered “spacing” and the allegedly great and “unexpected” benefits thereof and disclosed such discovery to Defendants in confidence.

Defendants-Appellees contend on the contrary that spacing is an expedient known to them and others in the industry long prior to Plaintiff’s alleged discovery, that it is, in and of itself, of relatively little benefit, and that in any event, it was not “disclosed” to Defendants by Plaintiffs in confidence or otherwise.

It is important to note that, except for the UNITAB liner and Defendant Davis’ patent covering it, Plaintiff did not at any time during trial contend, or offer evidence to show, that any other product of, or activity by Defendants constituted a misuse of any of Plaintiff’s “valuable information” or trade secret.

Thus, all questions of what constituted Plaintiff’s alleged trade secret in issue, what benefits are obtained thereby, whether or not it was disclosed, and if so whether or not such disclosure was in confidence must be considered *solely in the light of the spacing embodied in the UNITAB liner* (Fig. II).

QUESTIONS PRESENTED.

As presently phrased, Appellant's statement of the questions presented by this appeal ignores the requirements of Rule 52(a), F.R.C.P. and is, in our view, hypothetical and out of context with the actual proceedings, findings, and judgment below. Accordingly, we restate these questions as follows:

1. In an action for patent infringement maintained in bad faith, may a plaintiff avoid imposition of an award of attorneys' fees under 35 USC 285 by joining with his action for patent infringement, an action for misappropriation of a trade secret, where the same basic facts are integral to both causes, and where the evidence and argument are co-mingled and presented by plaintiff in such a manner as to make it impossible for the trial court to segregate the same as between the two causes of action?
2. May a United States District Court in the exercise of its equity powers as to exceptional non-patent issues where justice so requires, award attorneys' fees to the prevailing party?
3. Does California law prohibit an award under point 2 above?
4. In the light of the record below are all, or any of the findings that Plaintiff engaged in conduct making this an exceptional case under 35 USC 285 "clearly erroneous"?
5. Is the finding that \$280,000 is a reasonable attorneys' fee award in this case "clearly erroneous"?

6. Are the trial court's findings that nothing concerning spacing was disclosed by Plaintiff-Appellant to Kaiser which Kaiser did not already know, "clearly erroneous?"
7. Are the trial court's findings that any communications between the parties anent spacing were not in confidence "clearly erroneous"?
8. Are the trial court's findings that Kaiser developed the UNITAB kiln liner solely from knowledge of its own or from sources other than Plaintiff-Appellant "clearly erroneous"?
9. Is Appellant's action for misappropriation of confidential information barred by the statute of limitations?

SUMMARY OF ARGUMENT.

The Findings Supporting the Judgment Below Are Not “Clearly Erroneous” and Should Not Be Disturbed.

The findings of the trial court were made after a thorough trial and consideration of conflicting evidence both documentary and “demeanor”. The formal findings, drafted pursuant to Local Rule 7, were based upon the court’s written opinion and were carefully and thoroughly reviewed and amended by the trial court before they were signed. In short, the findings as finally adopted are the product of the court’s mind after careful consideration of all evidence bearing thereon. Moreover, although urged by the court to do so, Appellant presented no specific objection to the proposed findings in the court below, nor did it propose any counter-findings.

Every finding is clearly supported by substantial evidence and none is “clearly erroneous” or erroneous at all. The proper legal criteria were applied by the court to each finding.

Although Appellant has presented no showing that the controlling findings are “clearly erroneous” or indeed erroneous at all, the reversal sought here would require this court to reject the present findings out of hand, reweigh all of the evidence, and make new findings to support Appellant’s present contentions, some of which were not even presented to the court below. Such action would be outside normal appellate jurisdiction and in violation of Rule 52(a) F.R.C.P.

The Grounds for Holding This Case to Be “Exceptional” Are Each and All Sufficient in Law and Clearly Set Forth in the Findings.

The several grounds for finding this an exceptional case under 35 USC 285 are clearly stated in the written opinions of the trial court and are each and all supported by meticulously drawn findings based upon substantial evidence. Any one of such reasons stated by the trial court would, by itself, support an award of fees and taken together they show beyond doubt that the award was justified.

The \$280,000 Award Is Justified Under 35 USC 285 Alone.

This case, although pleaded as ostensibly separate trade secret and patent causes of action, was prepared and presented more in the nature of a single wrong with six different theories of recovery. Plaintiff's bad faith, fraud and undue prolongation of the litigation found by the court to justify an award of attorneys' fees, thus applied to all of its alleged causes of action, patent and non-patent alike. Notwithstanding its general equity power to award attorneys' fees as to non-patent issues pursued in bad faith, an issue discussed in a later section herein, the trial court expressly found the amount awarded herein, to be entirely within the provisions of 35 USC 285 permitting such awards in “exceptional” patent cases. This finding is manifestly correct for the following reasons.

From and after the filing of the first amended complaint in 1956, Plaintiff has conceived this case, including all six “causes of action” as premised on the same basic facts and has, at all times and by its own admissions, presented its case in such a manner as to inextricably combine the evidence and issues and make

it impossible to segregate the same or allocate defense services between patent and non-patent issues. Moreover, an overwhelming proportion of the services were, in fact, necessarily rendered in defense of the patent cause.

Therefore, the award of \$280,000 (out of more than \$424,000 actually paid by Defendants to their lawyers in this case) is clearly justified under 35 USC 285 alone.

Appellant's Confidential Information Cause Was Clearly Without Merit.

The trial court dismissed the action for alleged misappropriation by Defendants-Appellees of Plaintiff-Appellant's allegedly valuable and confidential information (by the pretrial definition confined to "spacing") because:

- (a) Plaintiff never possessed any information *re* spacing which was of significant value and thus legally protectible.
- (b) Plaintiff never disclosed any truthful information *re* spacing to Kaiser which Kaiser did not already know but on the contrary, gave Kaiser false information *re* the value of spacing knowing the same to be false and knowing that Plaintiff possessed no evidence to support such information.
- (c) The conversations during which Plaintiff alleged such disclosures were made, were not, in fact, confidential nor were they intended or understood by either party to be such.
- (d) Defendants' UNITAB liner alleged to incorporate Plaintiff's confidential information was, in fact, developed entirely from Kaiser's own knowledge and information or that obtained from sources other than Plaintiff.

- (e) The commercial success and benefits of the UNITAB did not result in any significant degree from the use of spacing therein but from a combination of other features unrelated to spacing.
- (f) The confidential information cause was, in any event, barred by the statute of limitations.

Any one of the foregoing reasons is, by itself fatal to Plaintiff-Appellant's confidential information cause; each reason is supported by meticulously drawn findings; every one of said findings is supported by substantial evidence; and none is "clearly erroneous" or erroneous at all. The evidence supporting the foregoing findings was clear and convincing and was known to Plaintiff long before trial. Thus, Plaintiff's confidential information cause was clearly without merit and known by Plaintiff to be such long before trial.

The Award Is Independently Justified Under the Trial Court's General Equity Powers to Compensate a Prevailing Party Subjected to Vexatious Litigation.

In view of what is said in the immediately preceding section, Plaintiff maintained its "confidential information" action in bad faith and vexatiously. A District Court may, under its general equity powers and even in the absence of a specific statute, award counsel fees to a successful litigant where an unfounded action is brought or maintained in bad faith. An award on such basis would be proper here.

ARGUMENT.

THE FINDINGS SUPPORTING THE JUDGMENT BELOW ARE SUPPORTED BY SUBSTANTIAL EVIDENCE, ARE NOT "CLEARLY ERRONEOUS" AND SHOULD NOT BE DISTURBED.

We begin our discussion on this point with a consideration of the rule that the findings of the trial court must stand unless "clearly erroneous". Rule 52-(a) F.R.C.P. Particularly apt in view of the lengthy record in this case is the observation of the Supreme Court:

"There is no case more appropriate for adherence to this rule [Rule 52(a)] than one in which the complaining party creates a vast record of cumulative evidence as to long-past transactions, motives, and purposes, the effect of which depends largely on credibility of witnesses."

United States v. Oregon State Medical Soc., 343 U.S. 326 at 332, 72 S. Ct. 690 at 695 (1952).

In the same case the standard by which a finding may be held "clearly erroneous" is reiterated thus:

"'A finding is "clearly erroneous" when although there is evidence to support it, the reviewing court *on the entire evidence* is left with a definite and firm conviction that a mistake has been committed'. *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S. Ct. 525, 542, 92 L. Ed. 746" (Emphasis added.)

United States v. Oregon State Medical Soc., *supra*, 343 U.S. 326 at 339.

The one hundred and thirty-eight Findings of Fact in this case prepared, submitted and accepted in accordance with Local Rule 7 are set forth in the Appendix to this brief and are annotated to the evidence as

will be described below. They all meet and pass the above test.

The evidence as it supports the findings is discussed at considerable length by the trial court in its two Memoranda of Decision [R 3560 through 3708 and R 4665 through 4670]. Additional light is shed on the court's reasoning and analysis of the evidence by the court's Order *re* post-trial discovery entered October 17, 1966. [R 4510-4513.] These three documents are set out in the Appendix to this brief.

It should be noted that in this case, each party submitted several elaborate post-trial briefs as well as briefs on the Rule 41 motion to dismiss at the close of Plaintiff's case. These briefs are part of the Record.

Should this Court deem it necessary to review all the evidence in this case with respect to the findings challenged (either directly or inferentially) by the Appellant, we have included in the Appendix after certain of the findings we deem to be controlling, a list of references to the record below including the pages of briefs filed in the trial court which discuss the evidence in support of such findings.

Also, chronologies of the salient events, annotated to the evidence, appear in our briefs at SR 150/pp. 9-17 and R 3119, pp. 189-203.

Further, in connection with the requirements of Rule 52(a) that "due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses" we note that the trial court in its Memorandum of Decision, particularly at R 3606 and R 3684 through 3689, indicated a serious lack of confidence in the credibility of Plaintiff's witnesses. See also Finding No. 130 which is not challenged by Appellant. Some of the more cogent "abundant examples"

of the inconsistency and unreliability of Plaintiff's testimony referred to by the trial court [R 3685] are recapitulated and annotated in Defendants' post-trial briefs at SR 150/pp. 94 through 109 and R 3119/pp. 173 through 187.

As clearly documented in the above parts of the Record, the credibility of Plaintiff's key witnesses was—to put it gently—seriously in doubt and their self-serving testimony was justifiably rejected.

But contrary to Appellant's assertions on appeal, (See Appellant's brief, pp. 84-85) there was in addition to the rejected self-serving testimony of Plaintiff's witnesses, a great deal of independent evidence directly supporting the trial court's findings. This supportive evidence consisted not only of documents such as business records, correspondence and documents filed in the Patent Office, but included "live" testimony of many witnesses called by both parties which was not rejected by the court, deposition testimony, formal admissions, and stipulations.

All of the huge bulk of evidence was painstakingly analyzed, correlated and reconciled by the trial judge as explained at length in his two Memoranda of Decision. In our view, this evidence constituted much more than nominal "substantial evidence" required to prevent disturbance of the trial court's findings.

With due deference, we respectfully submit that it would be an improper application of that Supreme Court standard for this court to set aside any of the controlling findings of the trial court in this case. See *McAllister v. United States*, 348 U.S. 19, 75 S. Ct. 6 (1954) and *Guzman v. Pichirilo*, 369 U.S. 698, 82 S. Ct. 1095 (1962).

Appellant's attack on the findings below is for the most part diffuse and generalized. Understandably dissatisfied with the decision of the trial court, Appellant seeks, in effect, a trial *de novo* in this Court, pointing to fragments of the evidence which, it contends, give rise to inferences conflicting with the determinations reached by the trial court. Such re-evaluation of the evidence is clearly beyond the limitations imposed upon the appellate functions of this Court. *Cataphote Corporation v. De Soto Chemical Coatings, Inc.*, 356 F. 2d 24 at 26 (9th Cir. 1966). (Opinion amplified at 358 F. 2d 732.)

One of the propositions advanced by Appellant in support of its contention that this Court should disregard the trial court's findings and make new ones, is the assertion that much of the evidence considered by the trial court was documentary and that "findings of fact based on non-oral evidence are not binding and are given but slight weight on appeal" (Appellant's Brief, p. 84).

This contention is ill-founded, both in fact and law.

First of all, it is clear that, while documentary and physical evidence played a large part in the trial court's determination of the issues, such evidence was not considered *in vacuo* but as explained by oral testimony, deposition testimony, answers to interrogatories and the like. Thus, the trial court's consideration of the documents involved in almost every case an assessment of the credibility of the witnesses who identified and explained them. We submit that, in reviewing findings based upon such composite evidence, this Court must, under Rule 52(a), give due regard to the "opportunity of the trial court to judge of the credibility of the witnesses" who testified concerning

such documents. To make new findings based upon the documents without assessing the credibility of the explanation would violate the above noted provision of the rule.

The court's citation in its decision of Defendants' briefs [*e.g.* at R 3685] is significant. In those briefs all of the evidence oral, documentary, physical, deposition, admissions, and the like is shown to be opposed to Plaintiff's self-serving "conflicting" evidence, which in turn shows that the findings were based on far more than simple documentary evidence alone.

But assuming *arguendo* that some of the findings were based entirely on documentary evidence, Appellant misconceives the law in this Circuit when it contends that such findings are entitled to "little weight". Such findings, on the contrary, are as much subject to the "clearly erroneous" rule as those based on purely oral testimony.

This question was thoroughly considered by this Court in *Lundgren v. Freeman*, 307 F. 2d 104 (9th Cir. 1962).

The *Lundgren* case involved several appeals, one of them as to a finding of "mutual mistake", concededly based entirely on written evidence. After a thorough review of the history of Rule 52(a) and the cases on both sides of the question, this Court espoused the so-called *Clark* view (after Judge Clark, the author of the Rule), *i.e.*, that findings are not to be set aside unless "clearly erroneous", even where such findings are based upon undisputed facts (*e.g.*, documents) which the appellate court is as well qualified to evaluate as the trial court.

In short, *Lundgren*, as we understand it, stands for the rule in this Circuit that the appellate court will

not “second-guess” the trial court in its fact-finding function, even though the appellate court may be qualified to do so and even though the findings may involve no credibility questions.

The rule stated in *Lundgren* appears to have been consistently followed in this Court since it was announced. See *Nelson v. Batson*, 322 F. 2d 132 (9th Cir. 1963); *Teren v. Howard*, 322 F. 2d 949 (9th Cir. 1963); *United States v. First Security Bank*, 334 F. 2d 120 (9th Cir. 1964); *Stauffer Laboratories v. F.T.C.*, 343 F. 2d 75 (9th Cir. 1965); *Snider v. England*, 374 F. 2d 717 (9th Cir. 1967).

Another ground alleged in Appellant’s general attack on the findings is the allegation that they were prepared in proposed form by Defendants’ counsel and many were adopted without change by the trial court. See Appellant’s brief, *e.g.*, pp. 48, 49, 57, 126. Appellant’s comments are severely critical of Defendants’ counsel in their submission of proposed findings and inferentially of the trial court for adopting them.

Here again, Appellant widely misses the mark both as to the facts and as to the law.

As we earlier indicated, the findings proposed by Defendants were lodged pursuant to Local Rule 7 of the District Court.*

*Local Rule 7 reads in part as follows:

“Unless the court otherwise directs, all appealable orders and all other orders orally announced in open court in any cause, shall be prepared in writing by counsel for the successful party and served and lodged with the Clerk within five days.

“In all cases requiring findings of fact and conclusions of law under F.R. Civ. P., Rule 52, the findings of fact shall be set out in concise narrative form in separately numbered paragraphs and in chronological order wherever practicable, and not by mere reference to allegations contained in pleadings.”

. . .

Plaintiff's counsel acknowledged receipt of a copy of the proposed findings, conclusions and judgment on July 15, 1966 [R 3762] and they were lodged with the Clerk on the same day.

Thereafter, although Plaintiff-Appellant requested and was given a total of over four months (Local Rule 7 provides five days) in which to do so, Plaintiff never presented either orally or in writing, any specific objection to either the form or substance of any proposed finding. Nor did Plaintiff assist the Court in any way in the formulation of findings.

It bears emphasis, moreover, that most of the proposed findings were, if not verbatim restatements of portions of the trial court's Memorandum of Decision*, clearly based thereon or upon inferences clearly inherent therein. *Wells Benz, Inc. v. United States*, 333 F. 2d 89 at 92 (9th Cir. 1964).

And finally, it should be noted that the trial court carefully and painstakingly reviewed the proposed find-

"Counsel, whose duty it is to prepare any such document, shall serve a copy thereof on opposing counsel either (1) by mail, in which case the original with affidavit of mailing shall be lodged with the court, or (2) by delivering the original and copy to opposing counsel, in which case said counsel shall promptly endorse on the original (1) an approval as to form, or (2) a disapproval as to form, or (3) an acknowledgment of the date and hour of the receipt of the copy thereof. The original shall then be immediately returned to counsel preparing same for filing or lodging with the court. If objections to form or substance are served and filed within the time prescribed herein, the court may thereafter require counsel to appear for a hearing thereon or may sign the document as prepared or as modified."

*One of Appellant's more scathing denunciations of Defendants' alleged fabrication of findings "adopted verbatim by the court" appears on page 126 of Appellant's Brief and is directed at Finding 51. As is plain to anyone who takes the trouble to read the court's Memorandum of Decision, Finding 51 comprises an almost verbatim restatement of lines 23 through 28 of p. 80 [R 3639], and a fair paraphrase of lines 4 through 7 of p. 81 [R 3640], of the trial court's own language.

ings and made numerous changes and amendments therein before they were adopted. See R 3710, 3713-3716, 3720, 3722, 3724, 3727-3729, 3731, 3734, 3735, 3737, 3742, 3744, 3746, 3749-3751, 3753, 3756, 3757.

Thus, we submit that it is clear beyond question that the trial court carefully considered each of the findings before adopting the same and that said findings are clearly the product of the trial judge's mind and truly reflect the bases of his decision.

The case of *U. S. v. El Paso Natural Gas Company*, 376 U.S. 651, 84 S. Ct. 1044 (1964) cited in the footnote to page 48 of Appellant's Brief is inapposite. In that case, no opinion was written by the trial judge [376 U.S. 651 at 656 and 663.] In the case at bar, the trial court wrote a 149 page detailed Memorandum of Decision plus a five page Supplemental Memorandum setting forth in detail the bases of his decision. The formal findings, reviewed, amended and adopted by the court simply reiterate and, in some cases, explain these bases in separate paragraphs arranged in accordance with Local Rule 7 above cited.

Moreover, even in the *El Paso* case, although the Court was critical of the procedure followed in the trial court, it went on to say

"Those findings, though not the product of the district judge's mind, are formally his; they should not be rejected out-of-hand *and they will stand if supported by evidence*". (Emphasis added.) 376 U.S. 651 at 656.

A fortiori the findings in this case which clearly *are* the product of the judge's mind as shown by his lengthy opinion, may not, under Rule 52(a), be rejected unless unsupported by substantial evidence or clearly erroneous.

THE GROUNDS FOR HOLDING THIS CASE TO BE
“EXCEPTIONAL” ARE EACH AND ALL SUFFI-
CIENT IN LAW AND CLEARLY SET FORTH IN
THE FINDINGS.

In his first Memorandum of Decision, the trial court found this case to be “exceptional” within the meaning of 35 USC 285 for the following reasons:

1. “The plaintiff obtained its claims in suit through fraudulent representations to the Patent Office”. R 3707
2. “The litigation was unduly and unnecessarily prolonged”. R 3707

The court further identified the acts and omissions of Plaintiff which unduly and unnecessarily prolonged the trial as:

1. Reluctance to disclose just what Plaintiff’s claims were. R 3707
2. Plaintiff’s efforts during pretrial to maintain “maximum mobility”. R 3708
3. Efforts throughout the trial to conceal the objects of examination and objections. R 3708
4. The taking of extreme positions and adopting of strained constructions. R 3708

Between the dates of the first Memorandum of Decision and the Supplemental Memorandum re Attorneys’ Fees [R 4665 *et seq.*] some six months elapsed during which the attention of the trial court and that of counsel were focused on the subject of attorneys’ fees. Voluminous records of Defendants’ attorneys were produced for Plaintiff and duly considered by the court.

A hearing on the subject of attorneys' fees was held on November 28, 1966 at which time testimony and the above records and other documents were introduced in evidence. STr. 102 through 217.

Thereafter, the trial court in its Supplemental Memorandum stated in further elaboration of its earlier statements concerning the basis for an award of fees:

“... The issues should have been clarified, simplified and reduced but all efforts to accomplish this objective were frustrated”. R 4667

In view of the rule that fraud must be alleged and proved with particularity, Defendants pursuant to Local Rule 7, proposed, and the court, after careful review and revision, adopted detailed findings as to Plaintiff's fraud on the Patent Office. See Findings 100 through 129.

The trial court also made explicit findings as to the other reasons for holding the case to be “exceptional” See Findings 132(b) through (e), 133, 134, 135 and 136.

These findings are each and all supported by substantial evidence and as the trial court summarized the fraud evidence:

“... the fact that the Patent Office was not told the then known truth is inescapable” R 3706

The limitations imposed upon the length of this brief do not permit a detailed review of the evidence supporting the fraud findings. However, such analysis appears in our post trial briefs at R 3119/pp. 88 through 144 and R 3370/pp. 50 through 66. Additional supporting evidence will be discussed below.

Plaintiff's Concealment of Statutory Bars.

We turn first to Plaintiff's deliberate acts which concealed the fact that the subject matter claimed for the first time in the C-I-P (Continuation-in-Part) application (new matter) had been on sale and in public use more than one year prior to such application. See Finding 21.

Appellant now seeks to avoid the consequences of this fraud by a two pronged argument that (1) there was no new matter in the C-I-P and (2) even if there was new matter the prior uses were "experimental" and thus not within the statute.

There Was New Matter Inserted in the C-I-P Application, the Claims in Issue Depend Thereon, and Plaintiff Knew This at the Time of Filing the C-I-P.

One of Plaintiff's more egregious frauds was Anderson's oath accompanying the December 1956 C-I-P application which stated in part:

" . . . that as to the subject matter of the present application not common to the prior application [new matter], I do not know and do not believe that the same was ever . . . in public use or on sale in the United States for more than one year prior to the present application . . ." [. . .] added. See Finding 102(b).

Anderson, of course *did* know that the UNITAB was on sale in mid 1955 and both Rentsch and O'Brian knew that the C-I-P claims depended upon new matter. [Exhibits JS and LS discussed below.]

Appellant now seeks to avoid the effects of this falsehood by an argument that the claims in issue do not, in fact, depend upon new matter or at least that its agents reasonably believed so when the C-I-P and other sworn statements were filed in the Patent Office. This same argument was presented in detail to the trial court and was rejected. There is, apart from Rentsch's* exculpatory testimony which was rejected by the court, not an iota of evidence in the record to support Plaintiff's argument.

To start with, there is very substantial evidence to support the findings that the claims in issue *do* in fact depend upon new matter in the C-I-P. See Findings 80 through 87. *None of these findings is specifically challenged or even mentioned in Appellant's brief.* A detailed discussion of the "new matter" evidence with appropriate citation to the Record appears in our post trial briefs at R 3119/pp. 63 through 68 and R 3370/pp. 40 through 44.

Moreover, the record and evidence are clear that Plaintiff recognized at the time the C-I-P was filed, that at least one of the claim elements, *i.e.*, the so-called "uniform composition throughout" character of the brick [see Findings 80, 81] would be considered by the Patent Office to be "new matter"—even with respect to the parent application. *Ipso facto* it would be new matter in the C-I-P. See Findings 102(a) and (b),

*Rentsch was the manager of Plaintiff's patent department and described by Plaintiff's counsel as Plaintiff's attorney-in-fact in its dealing with the Patent Office. Affidavit of Elliott R 1348 at 1349. He executed and filed a total of five affidavits in the Patent Office. R 1930, 1947, 1979, 2051 and 2055. (The Patent Office files of the two Anderson applications are a part of the Record herein, see R 1895 to 2277.) The Trial Court aptly described Rentsch as Plaintiff's "principal affidavit maker", [R 1401] chief negotiator and foremost in importance among Plaintiff's witnesses. R 3685

Defendants' post-trial brief, R 3119/pp. 91-92, Exhibits JS and LS. It was Plaintiff's express intent in filing the C-I-P to avoid having to argue the "new matter" question raised by the Patent Office. O'Brian: Tr. 9254. The reason for this desire to avoid the argument in the Patent Office is obvious from the record. It was an argument which was bound to lose. Plaintiff already lost the argument once when it tried to introduce the same "new matter" into the parent case. See Examiner's rejection R 2276.

After considerable discussion at the "executive level" [Tr. 10572-10573, 10600-10609] it was decided to file the C-I-P in order to "eliminate the problem of new matter".

Appellant speculates [Brief, p. 72] that the Patent Office Board of Appeals analysed the belatedly filed Halstead Affidavit [R 2229]; detected a possible statutory bar; reviewed the entire record of both the parent and C-I-P application with a view to determining whether or not the Examiner was correct in rejecting the addition of "uniform composition throughout" as new matter; and thereafter overruled the Examiner *all without one word concerning this operation appearing in the Board's opinion or anywhere else in the Record.*

This is sheer fantasy.

The Board of Appeals is an appellate tribunal and like this Court decides questions put before it. It does not ordinarily raise, let alone decide, questions not raised by one of the parties below, *i.e.*, the applicant or the Examiner. And if it does raise new issues, it remands the matter for further consideration by the Examiner. It certainly does not resolve them *in pectore* as Appellant postulates here.

See 35 USC 7 which provides in part that the Board “shall review adverse decisions of examiners”. In this case, there was no “adverse decision” as to new matter in the claims here in issue for the Board to review because applicant had concealed pertinent facts from the Examiner who thus had no occasion to decide whether the “uniform composition” limitation was new matter in the C-I-P or not.

Appellant’s reference to the Halstead Affidavit merely underlines Rentsch’s perfidy in dealing with the Patent Office. The facts which Appellant says are apparent in the Halstead Affidavit—*i.e.*, the commercial sale of short shimmed basic brick in mid 1955—were known to Rentsch *in detail* many months if not years before the Halstead Affidavit was filed. Certainly they were known before Plaintiff’s Appeal Brief was filed with the Board. Geldman Report Exhibits PM and PN. Yet, in spite of that knowledge, Plaintiff waited until the last possible moment to file the Halstead Affidavit, thus making sure that it would not come to the attention of the Examiner. And the deception was compounded by accompanying the Halstead Affidavit with a demonstrably false statement of reasons for delay in filing it*. R 2227-2228

Thus, we believe, it is clear beyond question that Plaintiff-Appellant, including its executives charged with the responsibility of determining the “theory of the facts and law” in the premises [Finding 101, Exhibit 1080] clearly understood that what the Patent Office at least, regarded as new matter, was inserted in the C-I-P and that December 26, 1956 and no earlier date

*See final paragraph on R 2228. While it may be true that “applicant’s patent attorneys did not know the evidence would be available”, this state of ignorance was directly chargeable to Rentsch who *did* know about the evidence *months* prior to the Appeal Board hearing but suppressed it.

was therefore the effective filing date for any claims based on such new matter. It is in the light of that *scienter* on Plaintiff's part that its representations to the Patent Office and to the court below must be viewed.

Appellant's Contention That Defendants 1955 Sales and the Customer's Uses of UNITAB Liners Were Reasonably Thought to Be "Experimental", Is Another Exculpatory Fabrication Unsupported by Fact or Law.

The other leg of Appellant's argument attacking the findings of fraudulent concealment of statutory bars is that all of the sales of short shimmed brick prior to December 1955, (the statutory bar date) and all uses of brick so sold were "experimental" and thus, under the rule of *Elizabeth v. Pavement Co.*, 97 U.S. 126 (1878), did not constitute a statutory bar. See Appellant's Brief, pp. 51-65. This, in turn, argues the Appellant, makes its misrepresentations of fact as to these prior uses immaterial.

This argument (sans any credible evidence to support it) was presented and reiterated at length by Plaintiff during the trial. It was rejected by the trial court which on the basis of documentary and testimony evidence found the sales and uses *not* to be within the "experimental" exception to the statute. See Memorandum of Decision R 3703-3704, Findings 99, 121(c).

Appellant argues here that the above findings against experimental use may be ignored because, it is contended, the term "experimental use" is "in context, nothing more than a legal conclusion", Appellant's Brief, p. 50.

This argument is directly contrary to the law as recently stated by this Court in *Cataphote Corporation*

v. De Soto Chemical Coatings, Inc., 356 F.2d 24 (9th Cir. 1966), opinion amplified at 358 F. 2d 732 (9th Cir. 1966). Precisely, the same argument was presented in the *Cataphote* case, *i.e.*, that the question of “experimental” use *vel non* was a matter of law and Rule 52(a) thus inapplicable. This Court rejected the contention, saying:

“The determination of whether appellant’s activities prior to the critical date were merely experimental or were of the kind set out in section 102(b) is a matter left for the consideration of the trier of fact. The resolution of this question depends principally upon a careful examination of each item of evidence and an evaluation thereof to judge the *nature and purpose of the course of conduct of the purported patent holder*. We cannot accept appellant’s characterization of this problem as one involving a matter of law, and, therefore, one free of the limitations imposed on an appellate court when reviewing the factual determinations of the court below.” (emphasis added) 356 F. 2d 24 at 26.

The circumstances show that if any “experiment” was involved in the case at bar, it was, as this Court and other courts have termed it, “typical of ‘a trader’s and not an inventor’s experiment’ and ‘such a use does not carve an exception out of the statute’ ”.

Cataphote, supra, 356 F. 2d 24 at 27.

In an effort to bring itself within the ambit of “an inventor’s experiment” Plaintiff advanced the fanciful contention that Defendants’ sales were reasonably be-

lieved by Plaintiff to be “field trials” conducted on behalf of *Plaintiff*!

The trial court emphatically rejected this contention by showing that it was “incredible” in the light of the facts known to Plaintiff, particularly the sketch of Kaiser’s commercial product then on sale which was shown to Rentsch in June of 1955 and from which he and Anderson secretly concluded “infringement”. See Memorandum of Decision, R 3649-3650.

Appellant’s new counsel advance still another untenable argument concerning the uses found to be statutory bars. It is now argued that Kaiser sold only the brick and short shim elements of the claim and not an entire kiln, so the *invention* was not “on sale”, but only a part of it.

In making this argument, Appellant apparently overlooks the fact that the court has found that if Plaintiff’s claims were valid, they would be infringed by a sale of the UNITAB brick and shim combination. The sale of this same article has been found in fact and law to be a statutory bar. Under the well established maxim “that which infringes if later, anticipates if earlier” this finding and the conclusion based thereon are clearly correct.

The sale of the short shimmed UNITAB liner for the express purpose of lining a cement kiln was obviously a sale of the invention claimed. *Tool Research & Engineering Corp. v. Honcor Corp.*, 367 F. 2d 449 at 453 (9th Cir., 1966).

The only case cited by Appellant in support of its new contention that the sale of the essential parts only

of the claimed invention is not a statutory bar is *Hemphill v. Jordan*, 86 F. Supp. 248 (M.D. N.C. 1949), a mutilated portion of the opinion being quoted on page 52 of Appellant's brief. An important part of the quoted paragraph is omitted (through inadvertence, we believe) without so indicating:

See “. . . and could not have arrived there prior to February 3, 1932 [the statutory bar date]. Consequently, the mere shipment of these parts in un-assembled condition on January 30, 1932 . . .” omitted from the third from last line of the quote. (emphasis and [. . .] added) 86 F. Supp. at 251.

Thus, it is clear that in the *Hemphill* case the putative statutory bar sale was held not to be such because it was not early enough, not, as Appellant contends, because only a part of the claimed invention was sold.

Appellant further argues that in the circumstances of this case even a “trader's experiment” by Kaiser's customers should be considered an exception to 35 USC 102 and not a statutory bar.

It is contended, moreover, that Plaintiff was prevented by the trial court from showing that the uses by Southwestern and Riverside (Kaiser customers) were experiments by those respective customers—as opposed to experiments by or on behalf of Kaiser.

This argument too is without merit, both as to law and fact. What this Court said about “trader's experiments” in *Cataphote, supra* (356 F. 2d 24 at 27), demolishes any legal basis for the contention. Additionally, it is clear in the record that trial counsel's offer always was that he would prove his hypothesis that it was Kaiser's experiment, *i.e.*, an experiment made in a customer's kiln for and on behalf of *Kaiser* who, so it was contended, was conducting “field trials” for Plaintiff. See Mr. Elliott's arguments to the

Court, Tr. 5048 and 5056, and his question to Mr. Woodward, Tr. 5063 and 5064. See also "Issues Tendered by Plaintiff", Pretrial Conference Order Exhibits SR 118. The court, over Defendants' objection [Tr. 5050-5051], did *not* prevent Plaintiff's counsel, Mr. Elliott, from questioning Mr. Woodward as to Plaintiff's hypothetical "experiment" theory. The witness's answer demolished the hypothesis [Tr. 5064] and Plaintiff's counsel abandoned the inquiry.

In any event, assuming *arguendo* that the first Southwestern installation [April 1955, see Tr. 5064] was an experiment on its part such experiment was over by June 1955 and Southwestern concluded it would thereafter order short shims only. See Tr. 5082, 5083. The use between June and December 26, 1955 would, even under Plaintiff's unproven hypothesis, be a statutory bar. See Pretrial Stipulation of Facts, SR 87.

In an effort to support its "experimental use" excuse for concealing the statutory bar of the sale to Riverside Cement Co., Appellant quotes from an affidavit of Riverside employee, John Sauer [Appellant's Brief, p. 59] and characterizes this as "testimony" (Brief p. 60) supporting its contention.

The quoted affidavit, prepared by Plaintiff's counsel for Sauer's signature, was presented in opposition to Defendants' Motion for Summary Judgment and is not, of course, admissible evidence at the trial, nor was it even offered as such.

See 4 Moore's Federal Practice, 2767 (2nd Ed.) and Rule 43(a), F.R.C.P.

Furthermore, Sauer testified at trial for Plaintiff and was never even asked if the 1955 sales and uses were experimental. In fact, his testimony was just the opposite. On cross-examination, Sauer explained [Tr.

5158-5168] that he had first considered the possibility of using short shims in June of 1954 and thereafter experimented with some short shims of a type suggested by Kaiser's representative Ford. Sauer had these short shims made in a machine shop in San Bernardino. As a result of such experiment in 1954, Sauer decided what he wanted and ordered short shimmed unitary liners from Kaiser in February 1955. Findings 54 and 56. See Pretrial Conference Order SR 75.

Thus, it is clear from Sauer's testimony that, as the trial court found [Finding 99], all of the Kaiser sales to Riverside Cement Co. in 1955 and all of the uses of the products so sold were within the statute and were not "experiments"—by anybody. All of these facts were freely available to Plaintiff and were, or should have been, ascertained when Sauer was interviewed by Plaintiff's counsel. See Tr. 5170-5171.

Summarizing as to this point, it is clear that the "experimental use" theory of Plaintiff was nothing more than a hypothesis adopted hastily to meet Defendants' motion for summary judgment. The hypothesis had and has no foundation in fact as Plaintiff's own witnesses amply demonstrated.

It bears emphasis that once Defendants showed a *prima facie* public use and sale under 35 USC 102, it was incumbent on Plaintiff to show by "full, unequivocal and convincing" proof if it could, that such sale and use were experimental. *Smith & Griggs Mfg. Co. v. Sprague*, 123 U.S. 249 (1887); *Aerovox Corp. v. Polymet Mfg. Corp.*, 67 F. 2d 860 (2nd Cir. 1933); *Geo. R. Churchill Co. v. American Buff Co.*, 365 F. 2d 129 at 134 (7th Cir. 1966); *Cataphote Corp. v. De Soto Chemical Coatings*, 253 F. Supp. 936 at 938 (D.C. N.D. Calif. 1964) *aff'd*. 358 F. 2d 732 (9th Cir. 1966).

But Plaintiff, although it had access to all evidentiary facts bearing on the subject, failed utterly to carry its burden in this regard. Not only that, but the utter failure of proof shows that the counter affidavits submitted in opposition to the Motion for Summary Judgment were in bad faith and for purposes of delay. Plaintiff's own records, particularly Exhibits GK and GL and Rentsch's testimony [Tr. 2047-49] show that at the time of Kaiser's initial sales, Plaintiff did not, in fact, entertain any theory that they were "field trials" or experiments with Plaintiff's invention as it now contends. On the contrary, Plaintiff *then* regarded Kaiser's activity as adverse to it. See Memorandum of Decision at R 3650.

Thus, the filing of such dilatory affidavits in opposition to the summary judgment motion without any real faith in the truth thereof, justified sanctions under Rule 56(g) F.R.C.P. including an award to Defendants of reasonable attorneys' fees.

Plaintiff's Alleged Theories Concerning "New Matter" and "Experimental Use" Do Not and Did Not Excuse Its Misrepresentations of Fact to the Patent Office.

As we have shown, there is not a shred of credible evidence that, prior to the Motion for Summary Judgment, Plaintiff ever really believed in, or even entertained the theories it advanced in opposition to that motion. But even assuming, *arguendo*, that they did have such theories in 1956, the most that could be said in Plaintiff's favor is that some question existed as to whether or not the C-I-P claims in issue contained "new matter" and as to whether or not the sales and uses of UNITAB liners were "experimental". Even if such questions existed during the prosecution of

the application, Plaintiff and its counsel were duty bound to ascertain and disclose the underlying *facts* to the Patent Office and let *it* decide the questions.

The Supreme Court has stated the matter thus:

“Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have *an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the application in issue* Cf. *Crites, Inc. v. Prudential Ins. Co.*, 322 U.S. 408, 415, 64 S. Ct. 1075, 1079, 88 L. Ed. 1356. This duty is *not excused by reasonable doubts as to the sufficiency of the proof* of the inequitable conduct nor by resort to independent legal advice. Public interest demands that *all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence*. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the ‘mute and helpless victims of deception and fraud.’ *Hazel-Atlas Glass Co. v. Hartford-Empire Co.* 322 U.S. 246, 64 S. Ct. 1001, 88 L. Ed. 1250.” (emphasis added)

Precision Inst. Mfg. Co. v. Automotive M. & Mach’ry Co., 324 U.S. 806 at 818, 65 S. Ct. 993 at 999 (1945).

In the case at bar, Plaintiff’s agents, particularly Rentsch, not only failed in their duty to disclose the underlying facts which they knew, but affirmatively lied to the Patent Office, under oath, alleging “facts”

known to be false. These false allegations effectively prevented the questions of new matter in the C-I-P and experimental use from ever being raised in the Patent Office.

Plaintiff filed two petitions in the Patent Office to make its C-I-P application “special”, that is to accelerate the prosecution so that it could more quickly obtain a patent with which it could restrain Kaiser from using the invention alleged to have been stolen from Plaintiff. The first petition supported by one of the several Rentsch Affidavits [R 1924 to 1943] was denied [un-numbered page ff R 1943] for failure to allege *when* Kaiser’s allegedly infringing article was first “discovered to exist”. O’Brian: Tr. 9246-9247. In a Petition for Reconsideration [R 1944 to 1949] this omission was remedied by attaching another affidavit of Rentsch which included these deliberate falsehoods:

1. That Plaintiff, and Rentsch in particular did not know of any manufacture of UNITAB liners prior to 1956 [R 1947]; and
2. That Plaintiff had no way of finding out the earliest existence of the UNITAB liners. R 1949.

See Findings 103, 104 and 105 and annotations to evidence in Defendants’ post-trial brief R 3119/pp. 96-97.

We submit that the fact that Plaintiff chose to disguise the truth under a mask of deliberate falsehoods instead of presenting the facts to the Patent Office and arguing its “no new matter” and “experimental use” theories, raises a strong inference that in truth, Plaintiff never really entertained such theories or, if it did, it had no good faith belief therein. As the Su-

preme Court has said of such matters presented to the Patent Office:

“Truth needs no disguise”

Hazel-Atlas, supra, 322 U.S. 238 at 247.

It is pertinent to note in this connection that by November 18, 1957, when the petition to make special was filed, the Patent Office had already rejected Plaintiff's argument that the “uniform composition” limitations was not new matter in the parent case (and a *fortiori* in the C-I-P) and had held on the contrary that it was new matter. See Patent Office action dated January 7, 1957 [R 2276-77]. Plaintiff did not traverse or otherwise respond to the January 7, 1957 Patent Office action and the parent application became abandoned by operation of law. See Examiner's Amendment in the C-I-P May 22, 1959, R 2247. Thus, Plaintiff obviously knew it was pointless to pursue its “no new matter” argument having chosen instead to file a C-I-P and deliberately to conceal the intervening statutory bar.

Plaintiff Made Additional Knowing Misrepresentations in the Petition to Make the C-I-P Application Special.

All that Plaintiff needed to allege as grounds for making its application special was (1) that a potentially infringing device was on the market and (2) when it first discovered this fact.

But Plaintiff, in its petition in this case, went much further and gratuitously added exhibits and elaborate allegations—under oath—all calculated to convince the Patent Office that during the so-called license negotiations Plaintiff's secret set forth in the C-I-P application was “disclosed” to Kaiser and that it was only

after such negotiations and disclosure that the allegedly infringing UNITAB liner was developed and put on the market. This was apparently O'Brien's belief [Tr. 9283] but Rentsch knew better.

Plaintiff's "attorney-in-fact" Rentsch, was told at the inception of the "license negotiations" that Kaiser's short shimmed liner was already on the market and in commercial use. Also, neither the parent nor the C-I-P application was ever shown to Defendants nor were the contents or claims ever described in any meaningful way to any Defendant.

See Findings 50, 59 through 61, 64, 65 and 106 through 109 and Plaintiff's post trial brief R 3119/pp. 100-103.

We submit that the fact that in order to induce the Patent Office to issue a patent, Plaintiff not only deliberately concealed the known truth*, but affirmatively alleged "facts" known to be made up of whole cloth, completely discredits the arguments attempting to excuse such conduct.

Plaintiff's Falsehoods in the Petition to Make Special Clearly Affected the Decisions in the Patent Office and Are Thus Material.

Appellant argues:

" . . . it must be kept in mind that the sole purpose of a petition to make special is to accelerate the prosecution of a patent application; the petition can in no way be considered to go to the merits of whether a patent should be granted.

*California Civil Code, §1572 defines as actual fraud, various acts, including:

"3. The suppression of that which is true, by one having knowledge or belief of the fact."

Stated differently, a petition to make special involves only the question of when a patent will issue, not whether it will issue. Thus, even if the petition was a collection of bold lies, it could not be made the basis of a finding of fraud because it could not be shown that but for the lies the patent would not have issued, i.e., the lies would not be material". Appellant's Brief, pp. 80-81.

Assuming the correctness of Plaintiff's test for "materiality", its conclusion above stated is obviously incorrect when the test is applied to the case at bar. We submit that "but for the lies" (i.e., if the truth had been told) the Plaintiff's patent claims in issue would most certainly *not* have issued.

The truth, known to but carefully concealed by Rentsch, was that the UNITAB liner described and shown in detail in the exhibits to the petition to make special was on sale and in commercial use in and around Victorville, California prior to commencement of license negotiations on June 9, 1955. But note Rentsch's sworn statement that the best evidence he was able to garner showed that the accused device had "been on the market since the latter part of 1956" [R 1949] when he knew from personal knowledge that it had been on the market since a time prior to June 9, 1955.

It is inconceivable that the Examiner, had he known the truth, would have failed to reject the claims in issue under 35 USC 102(b). Those claims depend upon new matter in public use more than a year prior to the C-I-P application. Moreover, it is clear that the Board of Appeals would have sustained such rejection. They did so in the case of other claims in Plaintiff's application where the question of "new matter" was much closer that that presented by the claims in issue.

See Board of Appeals' decision in the patent file R 2239 through 2241.

Finally, it should be noted that Plaintiff's falsehoods anent alleged disclosures to Kaiser and its allegedly subsequent development of the UNITAB presented in the petition to make special were not confined to that procedural aspect of the case but were repeated again and again in later prosecution of the application *on the merits*. See *e.g.*, R 2012, 2013, 2029, 2036, 2038, 2067, 2091, 2170, 2171, 2199, 2225.

Having chosen to rely on deliberately false affidavits to induce* a hostile Patent Office to grant the patent claims in issue and having succeeded in that endeavor, Appellant is in no position now to argue that what it characterizes—aptly we submit—as a “collection of bold lies” did not influence the decision to allow the claims.

See *Hazel-Atlas v. Hartford-Empire*, 322 U.S. 238 at 247, 64 S. Ct. 997 (9th Cir. 1957).

It must be noted that even assuming *arguendo* that Plaintiff at one time mistakenly thought the 1955 uses of the UNITAB liners were experimental, long before the patent issued, Plaintiff had, by its own “Geldman survey”, determined with particularity that this was not the case. See Finding 121, Defendants' post-trial brief R 3119/p. 94. Even after this survey

*Plaintiff's intent here was that required to show fraud.

“In regard to the intent element, the California Supreme Court, in *Gagne v. Bertran*, 1954, 43 Cal.2d 481, 488, 275 P.2d 15, 20, stated that “* * * the intent required to prove a cause of action for deceit is an intent to induce action. An “intent to deceive” is not an essential element of the cause of action * * *”. The intent to induce action here is not in dispute. The evidence clearly demonstrated that the representations were designed to persuade the Farnells to buy the property.”

Stone v. Farnell, 239 F. 2d 750 at 753.

reapprised Plaintiff of its error, Plaintiff continued to conceal the truth from the Patent Office. See Findings 122, 123.

A word concerning Appellant's contention that the Patent Office Examiner's withdrawal of Defendant's Davis patent as a reference against certain claims in Plaintiff's C-I-P application indicates a change in the Examiner's view as to new matter. Appellant's Brief, p. 70.

A careful review of the portions of the file history referred to by Appellant fails to disclose the slightest support for Appellant's conclusion that the Davis reference was withdrawn because the Examiner reversed his previous holding of "new matter" in the then abandoned parent application. Thus, Appellant's conclusion rests in pure and, we submit, wholly unwarranted speculation.

If speculation as to the Examiner's motives is in order, we submit that a much more logical conclusion is that the Examiner withdrew the Davis reference because he was convinced by Rentsch's false affidavits attached to the Petition to Make Special that Plaintiff could, under Rule 131 of the Patent Office, "swear back" of the Davis reference. In the same paper referred to in Appellant's brief, Plaintiff had argued that it *could* swear back of Davis under Rule 131 [37 CFR 1.131] referring to the showing made in the Petition to Make Special. See R 2029 and 2030.

The "facts" alleged in the Petition to Make Special, particularly the allegation and argument that the UNITAB was developed only *after* disclosure during license negotiations of the completed Anderson invention, *had they been true*—would have constituted a sufficient showing under Patent Office Rule 131 to war-

rant the Examiner's withdrawing Davis as he did and yet not, at the same time, rejecting Plaintiff's application under 35 USC 102(b). But the allegations were *not* true—they were consciously false. Thus, the incident furnishes yet another example of the materiality of Plaintiff's fraud.

Plaintiff's Misrepresentations as to the "Unexpected Results" and Commercial Success of Short Shims Constituted Deliberate Fraud.

The trial court found it to be established by *a heavy preponderance* of evidence that any improved production of Plaintiff's cement kiln in Laramie following the initial installation of the so-called Anderson shims was due to causes other than the shims. Finding 44.

The court also found that Rentsch (Plaintiff's attorney-in-fact) and Anderson (the alleged inventor of the shims) knew the above fact but falsely represented otherwise to Defendants [Findings 44 and 45] and to the Patent Office. Finding 111.

The court still further found that Rentsch and Anderson both knew they lacked either the knowledge or information required to make the representations they made. Findings 44 and 113.

Details of the misrepresentations to the Patent Office concerning "unexpected results" are contained in Findings 111 through 113 and the materiality thereof in Findings 126 and 128.

A discussion of the evidence supporting the above findings as to false claims of "unexpected results" is contained in Defendants' post-trial opening brief at R 3119/pp. 109 through 124 and reply R 3456-R 3458/pp. 58 through 60. See in particular Exhibit G reproduced in the above section of Defendants' post-trial opening brief (R 3119).

Exhibit G is a chart prepared from the same data which Rentsch used as a basis for his “unexpected results” affidavits. It illustrates graphically that these data—not only available to, but used by Rentsch—show that production increases at Laramie were chronologically correlated with factors *other* than the Anderson shims.

Appellant attempts to deprecate the accuracy of the chart [Brief, pp. 89-90] by a wholly inaccurate reference to snatches of testimony. This same argument was made to the trial court which, after hearing voluminous testimony on the subject from several witnesses for both parties, resolved the question in favor of the accuracy of Exhibit G for the purpose for which it was intended. Memorandum of Decision, R 3642-3643. Accordingly, such findings should not be disturbed merely because Plaintiff continues to argue that Exhibit G is not as “sophisticated” as it might have been. Tr. 11800.

Appellant does not specifically point out wherein any one or more of the above noted findings as to unexpected results lacks “substantial evidence” to support it or is clearly erroneous, but after a review of certain fragments of evidence which it deems favorable to it, levels a general charge that there was a “lack of *positive* evidence” that the Appellant (through Rentsch) made knowing misrepresentations to the Patent Office. Appellant’s Brief, p. 91. Based upon that diffuse allegation, Appellant further contends that it was “clearly erroneous” for the court to rely on the representations of unexpected results as a basis for a finding of fraud.

Thus, Appellant asks this Court to review and reweigh all of the evidence and make new findings on the subject of the representations of unexpected results, basing its request on a contention that there is a paucity of “positive evidence” of fraud. Apparently by “pos-

itive evidence” Appellant has in mind a Perry Mason style confession by Rentsch from the witness stand. We submit that Rentsch’s demeanor on the witness stand amounted to just that and constituted “positive evidence” of his mendacity. See Memorandum of Decision R 3685-6.

Be that as it may, it is not the function, nor indeed within the appellate jurisdiction of this Court to engage in a fact finding review of the evidence unless the findings of the trial court lack substantial supportive evidence or are clearly erroneous. But none of Findings 44, 45, 111 through 113, 126 and 128 is “clearly erroneous” or erroneous at all. Each and every one is supported by substantial evidence and most of them, as the court said, by a “very heavy preponderance of evidence”.

As to the alleged error in these findings and the alleged lack of “positive evidence”, we believe Appellant has an erroneous view of what constitutes “fraud” and the standard of truthfulness enjoined upon those who deal with the Patent Office. Typical of Appellant’s erroneous view of the law of fraud is the statement:

“We . . . shall demonstrate that there is no positive evidence that Rentsch believed the unexpected results as stated in his affidavit to be other than true”. Appellant’s Brief, p. 83.

There was substantial, indeed ample evidence from which the trial court could find, as it did, that both Rentsch and Anderson knew “positively” that the representation anent “unexpected results” were false. See Defendants’ post trial brief R 3119/pp. 112-120.

But even assuming *arguendo* that Rentsch believed the conclusions in his affidavits to be true, he knew that neither he nor Anderson possessed the knowledge

or information required to make the factual assertions contained therein. Finding 44.

Under such circumstances, the positive assertions in the affidavits were fraud, even if Rentsch believed them.

As this Court stated in a recent case:

“The tort of negligent misrepresentation does not require that the person making the statement be aware of its untruth”.

Hartwell v. Bumb, 345 F. 2d 453 at 455 (9th Cir. 1955).

In the same case, the Court cites California Civil Code, §1572 defining actual fraud as, among other things,:

“2. The positive assertion in a manner not warranted by the information of the person making it of that which is not true, though he believes it to be true * * *”. *Ibid.*, at 456.

See also:

Stone v. Farnell, 239 F. 2d 750 at 753-4 (9th Cir. 1957).

Knowing that there were other factors besides short shims that affected the productivity of the Laramie kiln and knowing that he did not know the extent of the effects of such other factors, Rentsch confidently asserted that these other effects were minor and that the increased productivity was primarily due to short shims. This was at best a wild guess—a shot in the dark which, as shown by Plaintiff’s own records readily available to Rentsch widely missed its mark. This was fraud.

In *Yates v. Boteler*, 163 F. 2d 953 (9th Cir. 1947) this Court said of a carelessly prepared and false financial statement:

“ . . . having elected to release certain figures pertaining to his business, it was his duty, both legal and moral, to see to that those figures were as accurate as he could make them. It is clear that he did not put out the necessary effort to make his information conform to this high standard.” 163 F. 2d 953 at 958.

The above language, we submit, applies precisely to the case at bar. Both Rentsch and Anderson knew that more accurate data were available as to the causes of increased production and Rentsch knew of his duty to tell the truth to the Patent Office. Yet Rentsch—either by deliberate design or by gross negligence—omitted such data from his affidavits to the Patent Office. See Memorandum of Decision, R 3680 and 3681. Moreover, while the affidavits were elaborately detailed to give the verisimilitude of a carefully drawn analysis of *all* pertinent facts*, the erroneous statement as to the minor effects of factors other than short shims was, in fact, as we have said, only a shot in the dark and Rentsch knew it. To include it in the affidavit was fraud.

The opinion in *Morris Plan Industrial Bank v. Lassman*, 116 F. 2d 473 (2nd Cir. 1940) cited with approval by this Court in *Yates v. Boteler*, *supra*, puts it thus:

“ . . . If he is merely guessing at the right amount—which it is necessarily within his power to ascertain—his answer is untruthful unless he in some

*In O'Brian's argument to the Patent Office, Rentsch's affidavits were described as a “carefully developed factual [sic] showing” [R 2102], yet at trial, O'Brian conceded that the critical “unexpected” figure of 30 times anticipated results, was at best “an approximation based on an estimate”. Tr 9393.

way conditions it. It may be morally worse to tell what he knows to be false, but *it is as deliberate a deceit to give an appearance of accuracy to what one knows to be a shot in the dark.*" (emphasis added)

Before leaving this point, we wish to emphasize that the falsity of Rentsch's affidavits may not be attributed to mere carelessness, forgetfulness, or ignorance of his duty to make his statements accurate. Rentsch's duty was forcefully brought to his attention by O'Brian as follows.

Shortly before the C-I-P was filed in December 1956, a draft was submitted to Mr. Coy Burnett, Plaintiff's chief executive, himself a lawyer [See Rentsch: Tr. 2055 and *Monolith v. RFC*, 128 F. Supp. 824 at 866 footnote 29, discussed *ante*] for his review and comments. Mr. Burnett wrote a lengthy critique [Exhibit LE] suggesting, *inter alia* that certain calculations as to the value of the invention be added to the C-I-P application. In response to Burnett's suggestion O'Brian demurred in a letter to Rentsch* [Exhibit LF] referring to the "lesson" of the "RFC litigation" and warning that the inclusion of such calculations in the application was dangerous because the patent might "be open to attack in subsequent litigation in the event that even minor errors are made in calculation".

O'Brian's reference to the RFC litigation was most significant to Plaintiff's executives, particularly Rentsch and Burnett, since it referred to a case then on appeal, in which another patent of Plaintiff's covering part of its operations at Laramie had been held unenforceable for fraud on the Patent Office, the fraud consisting—as in the case at bar—of false allegations of "commer-

*Apparently O'Brian, under his contract, Exhibit 1080, was permitted to address the throne only in communications addressed through Rentsch.

cial success". See *Monolith Portland Midwest Company v. RFC*, 128 F. Supp. 824* at 855-6.

While O'Brian professed at the trial to be unable to remember why he had cited the *RFC* case and its "lesson" he clearly indicated that, at the time, he recognized the danger of fraud on the Patent Office. See Tr. 8991 through 8993 and 8999.

Moreover, we note that O'Brian's claim to be suffering from retrograde amnesia as to the *R.F.C.* case has a somewhat hollow ring and appeared to be more an effort to cover up his own negligence in permitting the false affidavits to be filed in the Patent Office. See Memorandum of Decision R 3687. To his credit, however, it must also be noted that he did make an effort to check the accuracy of the affidavits when they were being prepared in Washington, D. C. but in a long distance telephone conference, this effort was frustrated by Rentsch and Plaintiff's general counsel, Joseph Enright, and the fraudulent statement concerning the "minor" effect of factors other than spacing was allowed to stand, See Defendants' post trial brief, R 3119/pp. 111, 112, 119-120 for annotations to the record. See also O'Brian, Tr. 8999 through 9003.

Thus, it is clear that Rentsch was repeatedly placed on notice of his duty to present only complete and accurate affidavits to the Patent Office. In the face of such warnings, he chose not to do so. This we submit was deliberate fraud for which Plaintiff must bear the consequences.

*This case was subsequently reversed and remanded by this Court for lack of a jury trial and with no comment as to the finding *re* fraud on the Patent Office. 240 F. 2d 444. The case was never retried due to Plaintiff's failure to substitute a new defendant upon the *RFC* being abolished. Be that as it may, the ruling by Judge Carter was in force at the date of O'Brian's letter and in any event, constituted a clear caveat as to the results of fraud on the Patent Office.

Plaintiff Caused the Filing of the Wicken Affidavit Knowing It Was False and Such Affidavit Materially Affected the Decision of the Patent Office.

The circumstances of the preparation and filing of the Wicken affidavit are set forth in Findings 114 through 120. The evidence supporting these findings is discussed in our post-trial briefs R 3119/pp. 124-135 and R 3459-3467 and Exhibit 00*.

In the Wicken affidavit, we find a prime example of what the Supreme Court had in mind in *Hazel Atlas* when it said "Truth needs no disguise", 322 U.S. 238 at 247.

As the trial court found in the case at bar, Rentsch, not Wicken, was the real author of the material substance of the Wicken affidavit [Finding 117] which was thus used as a vehicle for the presentation of Plaintiff's factually unsupportable arguments to the Patent Office.

This deception alone would have been enough to condemn the practice even if the factual allegations in the affidavit had been true. See *Hazel Atlas, supra*, 322 U.S. at 247. But they were not true, as the court found. See Findings 117(a) through (c) and 118.

Appellant attempts to escape the consequences of the false statements in the Wicken affidavit by arguing that his statements must be considered in the context of "cement", as opposed to other types of kilns, and

*This is a memorandum of a conference between Wicken and his superior concerning the propriety of his making the affidavit. During the conference Wicken was expressly reminded that longitudinal spaced shims were old in the art.

when so considered are not false. Appellant's Brief, pp. 91-92.

Wicken's affidavit itself [R 2106-2109] completely refutes the argument that its allegations are to be considered as limited to cement kilns. The recitation of Wicken's experience which allegedly qualifies him to express an expert opinion on the subject, includes several types of kilns, but significantly omits specific reference to the cement industry [Affidavit, paragraphs 1 and 2]. Wicken specifically states the basis of his opinions as follows:

"3. I consider myself qualified to state what were conventional practices with respect to the use of refractories in rotary kilns such as are used in the cement *and other industries* in the early part of 1955 because of my education and experience as set forth in paragraphs 1 and 2 above." (emphasis added) Affidavit, paragraph 3.

In paragraph 4, Wicken again makes it clear that his opinions are not limited to cement kilns by his reference to "cement kilns or other related kilns".

Thus, Appellant's latest exculpatory argument is unsupported by the evidence.

But what is a perhaps more serious fraud lay in the fact that Rentsch deliberately suppressed Wicken's allegations which would have indicated to the Patent Office Board of Appeals that his laudatory remarks were intended to apply only to the arcuate or radial shims and thus were inapplicable to the claims on appeal. Finding 118.

Finally, Appellant does not even suggest an excuse for Rentsch's deliberate insertion of allegations designed to indicate that Wicken had seen the subject patent application and the Laramie installation (Affidavit, paragraph 8) when Rentsch knew such allegations were untrue. Finding 117(b).

Having repeatedly cited and relied upon the Wicken affidavit to persuade the Board of Appeals to reverse the Examiner, and the Board having done so, Appellant is in no position to argue that the affidavit is immaterial or to dispute its effectiveness.

Hazel Atlas Glass Co. v. Hartford-Empire Co.,
322 U.S. 238 at 247.

Concluding as to the Wicken affair, we submit that the affidavit constituted Plaintiff's "advocacy" sailing under false colors, and also contained deliberately false allegations designed to give it an appearance of authenticity. Thus, Plaintiff's conduct here was far worse than that condemned in *Hazel Atlas, supra*. Accordingly, the Wicken affidavit alone furnishes a clear basis for the finding that the patent in suit is unenforceable for fraud and that an award of attorneys' fees is in order.

Plaintiff Unduly Prolonged the Trial by Refusing to Concede Obvious Facts.

Appellant, while not challenging the findings that the prior uses at Saltville, Cape May and Ada anticipate the claims in suit and render them invalid [Finding 92, R 3734], asserts [Brief, pp. 38 to 44] that its contest of such issues at trial did not constitute unrea-

sonable prolongation of the trial and the taking of extreme positions (both grounds upon which the Court awarded attorneys' fees. Findings 132, 133, R 3753-4).

Again, the record completely refutes this contention and shows the findings to be amply supported by the evidence. "Clear, complete and convincing" [Finding 95] evidence concerning these prior uses was developed by depositions well in advance of trial and thus was well-known to Appellant. See Defendants' post-trial Brief, R 3119, pp. 160-163, where the circumstances are set forth.

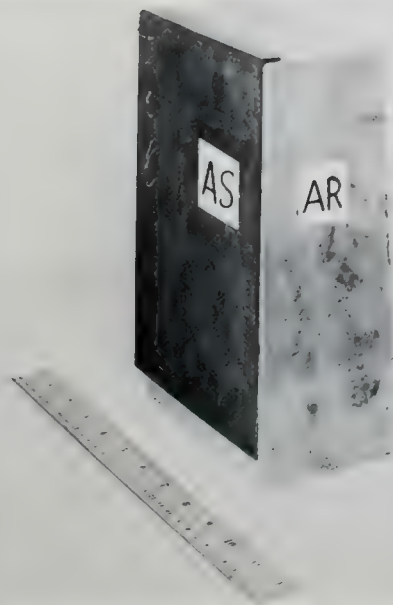
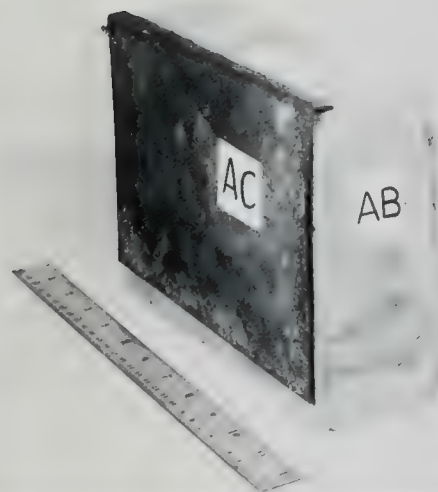
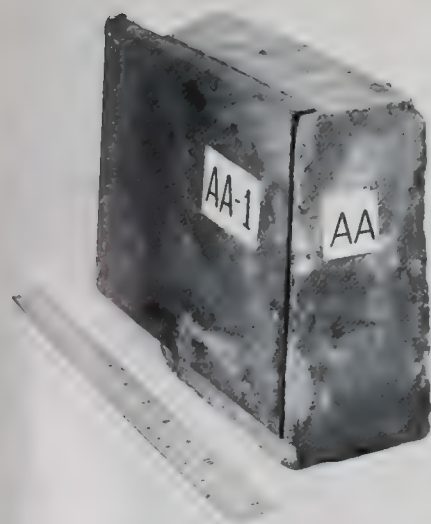
The evidence supporting Finding 92 is simply overwhelming and consisted of physical evidence and supporting documentation, as well as the testimony of many witnesses. [See Defendants' post-trial Brief, R 3119, pp. 45-53, summarizing the evidence.] Physical specimens of the Saltville bricks and shims, use of which dated back to a time prior to 1937 [Exhibit BD, Rochow Tr. 6251-6252, 6254-6256], were in evidence. Photographs of these bricks and shims appear opposite page 60 of this brief. Appellant even stipulated to much of the documentary evidence. TR. 6127-6129. Even a cursory comparison of the photographs with the claims of the patent-in-suit and the UNITAB structure will show that these exhibits simply demolished any hope Appellant may have ever entertained of upholding the patent's validity.

Appellant contends on pages 41 to 43 of its brief that there was a substantial issue as to whether the uses were "secret". But the deposition testimony was clear that such uses were not secret [See Defendants'

post-trial brief, R 3119/pp. 48-49, 52 and evidence cited] and, even now, Appellant is unable to cite an iota of testimony to the contrary. Through discovery, these matters were fully known long before trial.

Next, Appellant asserts [Brief, pp. 43-44] that the Saltville and Cape May uses could not be a statutory bar because they did not involve cement kilns. The claims, however, are not limited to cement kilns, as is abundantly clear both from the language of the patent itself and the nature of the industry. See discussion in Defendants' post-trial brief, R 3119/pp. 37-39. There was never any bona fide issue as to the interpretation of the claims.

It is respectfully submitted that the extremely tenuous nature of these contentions serves only to corroborate the findings that the trial was unduly prolonged through the failure of Appellant to concede facts which it had no bona fide reason to contest. Finding 133(b), R 3755.



Photographs of Various Saltville
Basic Bricks with Short Plates.

THE \$280,000 AWARD IS JUSTIFIED
UNDER 35 USC 285 ALONE.

The Court Determined Its Award to Be a Reasonable Fee for Services Rendered in Defense of the Patent Cause.

The trial court made the various bases for its award of attorneys' fees clear in its Supplemental Memorandum of Decision R 4665 *et seq.* In concluding, the court said:

"... The award made in this case is within the authority of the statute*, consistent with its purpose and, at the same time, is in an amount which should be awarded in the exercise of sound discretion to prevent injustice under the Court's general equity power". R 4670

The general equity power, referred to by the court is discussed in a later section. Here, however, we will discuss the justification of the award solely on the basis of the patent statute.

It is first to be noted that the amount of the award is very substantially less than the nearly \$425,000 in attorneys' fees actually expended by Defendant in the defense of this action. Finding 137.

It is also of importance that while this case was pleaded as ostensibly separate trade secret and patent infringement causes, what was actually presented by Plaintiff and had to be defended against, was a single mass of indistinguishable testimony, physical and documentary evidence virtually every item of which was strenuously argued by Plaintiff to bear on *both* the

*The court had previously cited 35 USC 285.

patent and trade secret phases of the case, primarily the patent phase. As the court said on this point:

“The bulk of the evidence was material to the patent count or the defenses to it, even though some of it was also produced and admitted for its probative value concerning other issues. . . . Had all but the patent cause of action been eliminated, it seems likely that the same amount of attorneys’ time would have been consumed.” R 4667.

The trial judge who has lived with this case since October 1961 [R 580], found “an overwhelming proportion”* of the services of Defendants’ attorneys were “necessarily rendered in connection with defenses of the patent cause”. Finding 137.

Time and time again, when Defendants attempted to have the trial court separately consider and dispose of what appeared to be separate issues, Plaintiff strenuously resisted such efforts and argued that the case could not be “fragmented” or decided piecemeal.

This was Plaintiff’s position in opposing Defendants’ Motion for Summary Judgment as to the patent cause. See Plaintiff’s Brief in Opposition”, R 843 at 887-888.

And it was again when Defendants attempted to obtain, *in limine*, a disposition of the trade secrets causes under the statute of limitations. See Plaintiff’s “Response” etc. R 1639 at 1649 and 1661.

And yet again Plaintiff resisted what it called fragmenting the case when Defendants moved to dismiss

*Lest the trial court again be accused of “adopting verbatim”, findings formulated by Defendants, we note that these are the trial court’s own words inserted by amendment in proposed Finding 137.

the trade secret causes at the close of Plaintiff's case. See "Plaintiff's Brief in Opposition" R 2450-2465.

As the record shows, Defendants ultimately prevailed on each and every one of the issues above noted and had they been considered and decided when first raised, the trial would have been immeasurably shortened. Even so, the above noted conduct of Plaintiff might have been justified had the positions taken by Plaintiff in each instance, although without merit, been in good faith.

But such was not the case. The resistance by Plaintiff to Defendants' efforts to shorten and simplify the case was in each instance clearly without merit and was a delaying tactic designed to make the litigation long and expensive.

Plaintiff's above outlined conduct during, and prior to trial taken with Appellant's present thinly veiled suggestion that the case could have been shortened if Defendants had only defended it properly (Appellant's Brief, p. 2, footnote) brings to mind this Court's comments in a similar setting, *i.e.*, *Twentieth Century Fox Film v. Goldwyn etc.*, 328 F. 2d 190 (9th Cir. 1964). In that case, this Court affirmed an award of \$100,000 counsel fees to plaintiff and, in answer to a contention similar to Appellant's here, said:

"There is no doubt that counsel for plaintiff [Defendants here] did a prodigious amount of work in preparing this case for trial, and in trying it. Defendants [Plaintiff here] do not contend to the contrary. They do question the necessity for much of this work. However, this is almost like saying that plaintiff [Defendants here] could have won more easily—a not very telling argument when made by those who contend that plaintiff [Defendants here] should not have won at all." (Bracketed material added) 328 F. 2d 190 at 221, 222.

As we have pointed out earlier herein, Plaintiff's defenses to our Motion for Summary Judgment, *i.e.*, that the prior use was "experimental" and that there was no "new matter" recited in the claims in issue, both turned out to be, *as Plaintiff well knew*, without foundation in fact.

As a basis for not applying the statute of limitations Plaintiff argued that by what it called an "acknowledgment" that the Anderson invention had been disclosed to it in confidence and by allegedly leading Plaintiff to believe it was "field testing" Plaintiff's invention, Kaiser had fraudulently lulled Plaintiff into inactivity or had concealed the cause of action, thus tolling the statute. These contentions of Plaintiff were found by the trial court to be respectively, "preposterous" [Finding 65] and "totally unreasonable" and "incredible and unbelievable" [Finding 61]. The statute was not tolled [Finding 73] because Plaintiff did not, as it had promised, show any fraud on Defendants' part.

Defendants' motion to dismiss the trade secret causes was resisted on the ground that any failure of Plaintiff to prove the cause during its case in chief would be remedied during its rebuttal to Defendants' defense of the patent cause. But when the time for such rebuttal came, no such evidence was forthcoming. [Finding 133(a).]

It is clear that it was *Plaintiff's* intransigent contention throughout the proceedings below that every piece of evidence had at least some bearing on the patent phase of the case and at the same time, on the trade secret phase. It took this ambiguous position, not only in the trial court, but before the Patent Office.

As we have discussed in an earlier part of this brief, Plaintiff presented false allegations to the Patent Of-

fice that the claimed invention had been disclosed to Kaiser during license negotiations and *thereafter* misappropriated by Kaiser. Plaintiff's successful arguments to the Board of Appeals were premised in part on such false allegations.

Thus, in defending against the patent cause, it was incumbent upon Defendant to show, among other things, the falsity of the just mentioned allegations and Plaintiff's *scienter* with respect thereto. For this reason, all services of Defendant's attorneys, whether directed to proving the falsity of Plaintiff's confidential disclosure claims or to other phases of the patent defense, are compensable under 35 USC 285.

See *Talon, Inc. v. Union Slide Fastener, Inc.*, 266 F. 2d 731 (9th Cir. 1959), wherein this Court stated (266 F. 2d at p. 740):

"A proper construction of Title 35, Section 285, does not require a district judge in awarding attorney's fees to a prevailing defendant to separately evaluate the services rendered under each separate defense contained in the defendant's answer and then to reduce or increase such award depending upon whether a particular defense failed or is sustained. Under the statute a district judge, in exceptional cases, may award reasonable attorney's fees to the prevailing party. In our view, such award to a defendant may include services rendered by his attorney in connection with a separate defense set forth in the answer even though the trial court should ultimately conclude that such defense had not been sustained; provided that such defendant prevails in the action and that such defense was relevant and material, and was asserted and maintained in good faith."

We submit that the above quotation is fully applicable here and establishes that there is no requirement for any diminution of the award because of the confidential disclosure aspects of this case. Since Plaintiff chose to procure its patent by various sworn misrepresentations to the Patent Office, *including those concerning its confidential disclosure theory*, Defendants' trial burden was to attack the patent on the same battleground and show that such representations were false. The *Talon* case would uphold an award even if such strategy were unsuccessful. Certainly the award should not be diminished where the defense *prevailed*.

Plaintiff's unwarranted resistance to the efforts of Defendants and the trial court to simplify the issues was compounded by the way Plaintiff presented its case, *i.e.*, in a manner inextricably combining the patent count with other counts. Finding 136. Plaintiff persistently and wilfully resisted all efforts to determine with any degree of precision just what its contentions were. Findings 132(b), 132(c), and 132(d).

It bears emphasis that many months before the complaint was amended to add the patent count, Plaintiff quite obviously conceived the litigation as primarily a patent case and was engaged in the marshalling of evidence directed to that end. See O'Brian's testimony Tr. 9422-9427.

Plaintiff's purpose in initiating the action as a "trade secret" case is clear. It hoped thereby to add some apparent "equity" and some semblance of "commercial success" to an otherwise weak and dubious patent claim. This strategy met with success in the Patent Office because, the proceedings there being *ex parte*, Kaiser had no opportunity to show the utter falsity of Plaintiff's allegations. However, in the adversary trial, Defendants were able to bring Plain-

tiff's falsehoods to light and Plaintiff's strategy ultimately failed.

The important point we make here is that in pursuing the above described strategy, Plaintiff tried at every opportunity—both in the Patent Office and in the trial court—to emphasize that all its alleged causes of action were to use Plaintiff's term, "inextricably intertwined" and that the evidence was all "basic" to all causes.

Now that Plaintiff has lost the case and has associated new counsel it has radically changed its tune. *Now* it is contended that the trial court in assessing a reasonable attorneys' fee should have unscrambled what Plaintiff had been diligently scrambling for some nine years, and should have determined that some part of Defendants' defense services were attributable solely to the patent cause and apportioned the fee accordingly. Moreover, Appellant contends that 35 USC 285 requires that services compensable thereunder be "restricted to work done *only* for the purpose of the patent side of the case" Appellant's Brief, p. 17 (emphasis added).

In other words, Appellant contends that if certain services rendered in defense of the patent cause should incidentally have value in connection with some "non-patent" cause, all such services should therefore be excluded in determining the amount of the award. No authority is cited for this amazing contention and—we respectfully submit—none can be.

The cases cited by Appellant in support of its "apportionment" theory are wholly inapplicable to the facts of this case.

In *Aeration Processes v. Walter Kidde Co., Inc.*, 177 F. 2d 772 (2d Cir. 1949), (Appellant's Brief, p. 22) apparently the best case Appellant can muster, the

Court of Appeals (for the second time in succession) reversed the judgment of the District Court which had persistently denied attorneys' fees to a successful defendant.

The circumstances of that case were that the bad faith warranting the award existed only with respect to one of the two patents in suit and that one "bad" patent *had been withdrawn at the opening of trial*. Defendant in that case nevertheless claimed a fee for the entire defense including services rendered *after* the bad patent was withdrawn.

Clearly the defendant in *Aeration* could, and was required to show what part of the defense went to the "bad" patent and was obviously not entitled to an award of fees for services after the bad patent was withdrawn.

But contrast *Aeration* with the case at bar. Here the patent having been obtained by fraud was "bad" *ab initio* and should never have been introduced. Moreover, in spite of the fact that as the case progressed, Plaintiff was made aware of more and more reasons why the patent was hopelessly invalid, it continued to press every phase of the case with utmost vigor using the patent claim as a device to prevent an expeditious trial.

Had the Plaintiff done as the plaintiff in *Aeration* did, and withdrawn the patent at an early stage and thus shortened the trial, the rationale of that case might be applicable. But this was not done.

Since Plaintiff has seen fit to keep the fraudulent patent in the case to the bitter end for the sole and obvious purpose of postponing the evil day when it would lose the case, it must bear the consequences and the *Aeration* case is not authority for trying to cast

upon Defendants the burden of unscrambling the case and segregating services along lines arbitrarily designated by Plaintiff.

Turchan v. Cincinnati, 208 F. 2d 228 (6th Cir. 1953), (Appellant's Brief, p. 22) as intimated by Appellant in its brief, furnishes no enlightenment on the subject of "apportionment". In that case, the Court of Appeals simply affirmed the trial court's refusal to award attorney fees for the reason that no inequities appeared in the conduct of the losing party.

Similarly, in *Sanford Research Co. v. Eberhard Faber Pen & Pencil Co.*, 379 F. 2d 512 (7th Cir. 1967), cited by Appellant on page 23 of its brief, the Circuit Court merely affirmed the trial court's denial of fees under 35 USC 285 agreeing that no gross injustice, fraud or wrongdoing had been proved. The question of apportionment therefore never arose in that case. Thus, *Sanford* has no application to the case at bar where injustice, fraud and wrongdoing *were* all clearly proved, justifying an award under 35 USC 285.

In summation on this point, we submit that the trial court has diligently and carefully followed this case almost from its inception. The issues of Plaintiff's fraud and bad faith and Defendants' claim for attorneys' fees were raised long before trial and the court was constantly alert to evidence that might bear on such issue.

Furthermore, the court reached its decision on the amount of attorneys' fees only after a most careful consideration of all of the facts bearing thereon and a careful consideration of Appellant's present arguments, substantially all of which were presented during the post-trial proceedings *re* attorneys' fees.

This is by no means a case in which, as Appellant charges on page 29 of its brief, there was “short shrift given to the attorney fee issue.”

On the contrary, the amount of consideration devoted to this issue by both parties and by the court was unusual. The careful consideration given by the trial court to the question is revealed in its Supplemental Memorandum of Decision re Attorneys’ Fees R 4665 *et seq.*

Although it is our belief that the trial court was overly conservative in its drastic reduction of Defendants’ actual fees to the amount awarded—particularly in the light of Plaintiff’s gross fraud on the Patent Office—we realize that the amount of the award is within the broad discretion of the trial court and that discretion has not been abused. Therefore, we did not cross appeal for an increased award.

The exercise of the trial court’s discretion in the award of fees should not be disturbed unless manifestly in error or abused.

Carter Products, Inc., et al. v. Colgate-Palmolive Company, 230 F. 2d 855 at 866 (affirming an award of attorneys’ fees).

No error—manifest or otherwise—having been shown, the award under 35 U.S.C. 285 should stand.

APPELLANT'S CONFIDENTIAL INFORMATION
CAUSE WAS CLEARLY WITHOUT MERIT.

Appellant's argument on this point commencing on page 106 of its brief consists primarily in a broad frontal attack on the trial court's findings, the attack being virtually unsupported by specific references to the evidence. Thus, Appellant asks this court to step aside from its appellate role and search the record for evidence to support the findings Appellant now contends should have been made.

We believe it significant in this regard, that although ordered to do so, [R 3793], Appellant did not favor the trial court with either objections to the proposed findings, or proposed counter findings. Thus, Appellant is in a poor posture to complain in this Court about the findings below.

Sonken-Galamba Corp. v. Atchison, Topeka & Santa Fe Railway Co., 34 F. Supp. 15 (W.D. Mo. 1940) affirmed 124 F. 2d 952 (8th Cir. 1942).

We submit that, contrary to Appellant's contentions, the trial court's findings are supported by an overwhelming preponderance of the evidence and that *not one* of the several essential elements of a confidential disclosure case was proved.

We submit further that Appellant, by failing to specifically cite the relevant evidence and by grossly misstating the effect thereof has demonstrated the lack of merit in this branch of the appeal. We submit still further that it is not incumbent upon this court without aid or direction from Appellant, to search the record for evidence to support the trial court's present findings. Nor should Appellee be required to catalog *all* of the evidence supporting the findings.

However, the boldness of Appellant's assertions requires some answer. We shall do so as briefly as possible.

Plaintiff Never Possessed Any Information Re Spacing Which Was of Significant Value and Thus Legally Protectible.

In considering this point, it is well to recall that the physical structure, the value of which Plaintiff claimed to be its discovery and trade secret appropriated by Defendant, was a conventional brick-shim combination mounted in a kiln and differing from those previously known to *Plaintiff* only in that the shim is supported out of contact with the kiln shell to avoid shim-to-shell heat transfer.

As noted by the trial court in its Memorandum of Decision [R 3614] Plaintiff concedes that spacing of shims to avoid heat loss is a simple and obvious mechanical expedient—to use Plaintiff's own words “an elementary principle of physics”. As such it does not, as this Court has observed, qualify for protection as a trade secret. *Winston Research Corp. v. Minnesota M & M Co.*, 350 F. 2d 134 at 139 (9th Cir. 1965).

Thus, neither the “spaced shim” itself, as used by Kaiser, nor the use thereof to inhibit transfer of heat to the shell may be claimed as Anderson's invention or trade secret. See Memorandum of Decision R 3614 and 3673-4. What Plaintiff claimed to be its “valuable information” was the alleged “unexpected result” that allegedly accrued from such spacing.

While Plaintiff claimed all sorts of miraculous results to accrue from this so-called “spacing” *per se*, it was never shown that any such miracles actually occurred or were due in any detectable degree to “spacing”.

In some instances, Plaintiff's reports of benefits were knowingly false. See Findings 44, 45, 46, 135(a) and 135(b); Memorandum of Decision R 3614, 3634, 3640, 3644, 3645 and 3669 through 3679.

The only actual structure employing "spacing" which Plaintiff ever had experience with, prior to any alleged disclosures to Kaiser, was the 1954 Laramie installation which employed *radial* shims extending transversely to the kiln axis and each extending along the ends of several bricks. The purpose of such departure from conventional orientation as shown by Plaintiff's own records [*e.g.*, Exhibit AU*] was to eliminate longitudinal cracking. Apparently, this was successful and quite obviously had a material effect in reducing heat loss through the longitudinal cracks. Just how much this represented in increased production is still a matter of some doubt but the highest *responsible* estimate shown by Plaintiff's records, *ante litem motam*, was 19 bbls. of clinker per day in a kiln having a daily capacity of about 2300 bbls. per day. See Exhibits JY and AU.

*"The use of the manufacturers shims supplied with the basic brick was continued for one and a half years. During this time three burning zone linings were installed; with each lining having an average life of six months. After inspection of each of these linings, it was observed that there were many longitudinal cracks. Almost invariably the lining had not failed from burning out but from cracking and falling out.

"From this point the use of the circular steel shims was started. The circular shims were installed in such a way that they were drawn back approximately $1\frac{1}{2}$ inches from the kiln shell. These shims were approximately 57 inches long and were installed in such a way that the joints in adjacent rows of shims were staggered. This prevents longitudinal cracks from appearing in the kiln."

From p. 3 of Exhibit AU—"Use of Circular Steel Shims with Basic Brick Linings in Kiln of Monolith Portland Midwest Company at Laramie, Wyoming.

"Submitted by: F. J. Anderson, Assistant General Superintendent".

But be that as it may, the improvement was not due to “spacing”. The trial court found it to be established by a “heavy preponderance of evidence” that any improvement in kiln production following the Laramie installation of radial shims was due to factors other than “spacing”. Findings 44, 45 and 46; Memorandum of Decision, R 3669 through 3679; Defendants’ post-trial brief R 3119/pp. 112-15.

Appellant contends the success of the UNITAB liner proves the value of spacing. It does not. We concede, of course that Kaiser’s UNITAB liner is a valuable invention as indicated by the patent issued to Defendants thereon and the commercial success thereof. But these values do not depend upon spacing *per se*. Findings 51 and 52, Memorandum of Decision R 3675 through 3677.

Thus, it is apparent that spacing *per se* was not shown to be of significant value and therefore even if it had been “disclosed” by Plaintiff to Defendant and thereafter employed by Defendants, Plaintiff would have suffered no damage.

Plaintiff Never Disclosed Any Truthful Information Re Spacing to Kaiser Which Kaiser Did Not Already Know.

Our point of departure in discussion of this point is *the state of Kaiser’s knowledge* at the time of any given purported disclosure. In our view, which is directly contrary to the apparent view of Appellant, a discussion of a subject is *not* a “disclosure” thereof to one who already knew it.

In August of 1953 when Plaintiff-Appellant alleges the first “disclosure” took place (see Appellant’s Brief, p. 112) Kaiser had the following knowledge and infor-

mation *re* “spacing” of shims in kiln linings and the effects thereof.

1. Kaiser’s agents had studied and understood the disclosure and effect of spacing in the Heuer Patent No. 2,230,141 and the Longacre Patent No. 2,230,142. Finding 31 (See Defendants’ Brief on Motion SR 150 Figs. 3 and 4 ff. p. 36), Memorandum of Decision R 3594.

2. Personnel at the Ada and Denver plants of *Ideal Cement Co.* had used conventionally oriented, bent, spaced shims in cement kiln linings prior to 1950 (Finding 90(d)) and in 1951 had discussed such use with Kaiser’s agents Petersen and Davis. Petersen testimony Tr. 6964-6972, Davis memo Exhibit DB (last paragraph).

3. Actual construction of bent short (spaced) shims for cement kiln lining was observed in 1951 by Kaiser’s agents Davis and Petersen at the *Cementos Veracruz* plant in Orizaba, Mexico. Petersen testimony Tr. 6982-6988.

See also the trial court’s summation of evidence on this point.* See Finding 30.

Appellant places great reliance on the alleged “disclosure” of Anderson’s alleged invention which it says took place during the Johnson-Putnam conversation on August 27, 1953. See Memorandum of Decision R 3603 through 3621.

We first observe that this conversation was some two weeks *prior* to the earliest possible date which can be

*“However, information concerning short shims disposed in the ring as shims had been conventionally used in the past came from the *patent art*, *other customers*, other products on the market and in the course of development of its own refractory products.” R 3639 (Emphasis added.)

established for Anderson's invention. Finding 91. Yet, Appellant does not attempt to explain how the invention together with its allegedly great and unexpectedly beneficial results could have been disclosed before the invention was even made, let alone tested. As the trial court stated:

"The inconsistency between experiencing *unexpected* results which were assertedly forecast by Anderson cannot escape observation." Memorandum of Decision R 3616 (emphasis added).

Entirely apart from the information held by the respective parties on the subject of spacing, it is clear that the Johnson-Putnam conversation was, by its very nature, not a "disclosure" by Plaintiff of anything, but was an inquiry soliciting a disclosure *by Defendants* to Plaintiff of Kaiser's knowledge on various matters including a suggestion conceded to be an obvious mechanical expedient, *i.e.*, spacing of shims as a remedy for heat loss. As the trial court put it:

"Johnson wanted Kaiser's advice on the suggestions and any expression of how to correct or assist in the correction of alleviating the heat loss. The telephone call contained both a speculation as to the effect of the heat loss and a question as to how it might be avoided." Memorandum of Decision R 3608.

Such requested advice was given by Defendants and immediately made available to Plaintiff. See Exhibit DB—last paragraph—copies to Olive and Ford, Kaiser's representatives in direct contact with Plaintiff. Ford testified (deposition) that he disclosed the use and benefit of spaced shims to Plaintiff. Tr. 9886 through 9900.

Appellant argues that a "presumption of appropriation" is raised where the putative appropriator has access to information possessed by another and thereafter uses it. Appellant's brief, p. 135.

We do not by any means agree with Appellant as to the existence in law of such "presumption". But to the extent that any inferences may be drawn from the circumstances postulated by Appellant, they are clearly *against* Appellant in this case.

It has been shown that in and prior to August 1953, Defendants possessed detailed information on the structure, use and occasional benefits of metal shims bent over or "flanged" to be supported away from the kiln shell in a kiln lining. It is also shown that such information was, through Kaiser's representatives, made available to Plaintiff on or shortly after September 10, 1953. [Exhibit DB, last paragraph.]

Thereafter, (no earlier than September 14, 1953) Anderson made his "invention" of the radial shims in a kiln lining and still later such a structure incorporating the structural feature of "flanging"* to achieve spacing was installed at Laramie and put into operation in February 1954. Findings 25 and 26.

We submit, therefore, that while the circumstances outlined above give rise to an inference that *Plaintiff* derived some useful information *re* spacing from Defendants, they furnish no support whatsoever for the contention that the information flowed the other way.

*It is of interest to note that a sketch of the Anderson invention which was sent to Laramie on January 14, 1954 to instruct Plaintiff's Laramie personnel on how to install these "special steel shims" does *not* disclose any suggestion of "flanging". See January 14, 1954, letter of Oberg to Williams and attached sketch, both part of Exhibit 1061.

As to any alleged disclosures of the *results* of the Laramie lining, as we have previously pointed out, much of this information given to Defendants by Plaintiff was knowingly false.

But, true or false, the first time any *comprehensible* information on the "spacing" aspect of the Laramie lining was given to Defendants was in September 1954. See Memorandum of Decision R 3631-2. Prior to that date Defendants had no meaningful information on the subject and in fact thought that the lining included conventional full length shims with the radial shims as an added feature.

In any event, several months prior to September 1954, in answer to an inquiry as to the effect of spaced shims, Defendants had given detailed advice to one of their other customers, *Riverside Cement Co.*, on how to bend over conventional shims to space them from the kiln shell. Finding 54, Memorandum of Decision R 3635-3636, Exhibit DX and Sauer testimony Tr. 5150-4.

Also in June of 1954, Petersen of Kaiser had reported on the use of such short shims by *Ideal Cement Co.*, Memorandum of Decision, R. 3636.

These and other events indicate clearly that Kaiser's UNITAB liner, the alleged embodiment of the stolen secrets, was developed entirely from information gained elsewhere than from Plaintiff and in increments, each of which predated any "disclosure" or even meaningful discussion of the same thing by Plaintiff. Finding 51, Memorandum of Decision R 3637 through 3640.

The Conversations During Which Plaintiff Alleges Such Disclosures Were Made, Were Not, in Fact, Confidential, Nor Were They Intended or Understood by Either Party to Be Such.

Plaintiff's continuing contention that *all* of the salesman-customer conversations that took place in this case should be deemed to have been "in confidence" is perhaps the most bizarre of its many unusual contentions.

Appellant continues to argue, for example, that, although, as the court found, [Memorandum of Decision R 3621] Johnson did not indicate or believe that his conversation should be kept in confidence, nevertheless it should be held so as a matter of law. Appellant's Brief, p. 121, No authority is cited for this proposition.

Contrary to Appellant's argument, we believe that the circumstances that give rise to a confidential relationship are questions of *fact*, not law. See *Mycalex Corporation of America v. Pemco Corporation*, 159 F. 2d 907 at 912 (4th Cir. 1947) wherein the court considers the testimony of the parties to an alleged disclosure and affirms the trial court's finding that there was no disclosure "in confidence".

Moreover, it is clear from abundant evidence other than Johnson's testimony that the relationships surrounding communications such as the Johnson-Putnam conversation, were *not* confidential and that Plaintiff knew and intended that Kaiser would use information developed during such contacts to develop products which would be sold to any and all of its customers and not confined to products for Plaintiff. See Memorandum of Decision R 3618 through 3621.

Of foremost significance in the above noted body of evidence negating a confidential relationship is the tes-

timony of Mr. Bert Oberg, Plaintiff's General Superintendent of Operations*. Here is what Mr. Oberg said as to information transmitted by Plaintiff to Kaiser salesmen:

"Q. Well, you believed, did you not, that they were going to use that information in their effort to sell brick to other customers, didn't you? A. Well, I think that would be a proper assumption.

Q. That was your assumption, was it not? A. Well, let's put it this way, that I would have no objection if they did use it.

Q. And you never did tell them that they couldn't use that information any way they wanted to, did you? A. No, I did not.

Q. And that went on for quite a period of time, didn't it? A. I don't understand.

Q. Well, this giving of information to Kaiser that you were willing that they use in any way they saw fit, that went on for a period of years starting in 1947 and continuing for many years thereafter, did it not? A. Well, we had no secrets as far as the use and installation of Kaiser basic brick, as far as the Kaiser people were concerned. So we gave—told them everything that we learned about it, and thought that such exchange of information would be helpful to us by them, by such information to improve their refractories and learn enough about the accuracy and need of improved manufacturing processes as to again serve us to better purpose in the future. That was the purpose of our cooperation with them.

*Unlike Plaintiff's Plant Superintendent Johnson, whom Appellant characterizes as a "lower echelon employee" [Brief, p. 121] Oberg was clearly one of Plaintiff's "policy making personnel" *Ibid*.

Q. In other words, you wanted Kaiser to make better lining materials so that you would get better linings if you bought them from Kaiser? A. That's right.

Q. And to that end you gave them such information as you had about the installation of Kaiser basic brick in your own kilns? A. We felt that we knew much more about the use of refractories installation and use of refractories than Kaiser does, or any other refractory manufacturer does, so we served our purpose, we thought we would serve our purpose well by keeping Kaiser as well informed about the experience that we had with refractories as we could.

Q. And did you feel that you, and by that I mean the Monolith Company, was going to be the sole beneficiary of the improved lining offered by Kaiser?

Mr. Elliott: Objection. That assumes a fact not in evidence.

Court: Overruled.

A. Our thought insofar as what you just asked was concerned did not apply to the situation. We were interested in our own use of Kaiser refractories. If anyone else, as a consequence of what we did to suggest improvements, benefited from that, well, that was just incidental.

Q. So you didn't—you knew that there was the possibility at least that others would benefit from your information given to Kaiser didn't you?

A. Well, certainly we didn't expect Kaiser to make one refractory for us and another refractory for someone else.

Q. Exactly. So whatever improvement in the Kaiser product resulted from the information you

gave them you realized would be of benefit to other customers of Kaiser, didn't you? A. I would say so.

Q. Now, did there ever come a time when you said to the Kaiser personnel, 'Now, in the past we have given you information about our linings and you have been free to use it in incorporating it in your products for other people, but from here on out you are not to use this information in that manner'?

Mr. Elliott: Objection, your Honor, as to the use of the word 'you'. A moment ago, Mr. Rieber carefully qualified what he meant by you, and I ask him to do it now.

Court: Overruled.

A. I know of no such time when I said any such thing to Kaiser.

Q. Do you know of any time when anybody else at Monolith made any such statement to Kaiser? A. Not insofar as the lining of basic brick was concerned." [Tr. 2972-2976].

We submit that the above testimony of Plaintiff's own "policy making" witness alone, completely refutes the contention that the Monolith-Kaiser communications *re* spacing *per se*, particularly the Johnson-Putnam conversation, were "in confidence."

Thus, Findings 41, 47 and 68 are solidly supported by the evidence and are not in any respect erroneous.

Plaintiff-Appellant continues to harp, as it did at trial, on a statement torn from its context in Exhibit JQ, the Davis-Schoonover letter of February 1, 1956 (about a year after the UNITAB liner first went on sale) Appellant's Brief, p. 125.

As the trial court said:

“This letter is the springboard for arguing that it operates to convert every conversation and every observation from the Johnson-Putnam telephone call of August 27, 1953, to date into a confidential communication. *It could not possibly be so understood by any reasonable person and the evidence against such concept is overwhelming.* Furthermore, plaintiff argues that since the sketches referenced in the letter show a space between the cold edge of the shim and the shell of the kiln, this letter constitutes a disclosure of spacing per se and acknowledges this to be a confidential disclosure. This is neither the intent nor the effect of the letter, but rather *a gross perversion of its terms and intent.*” (emphasis added) Memorandum of Decision R 3665.

The findings indicated in the above quotation were based not only on the documents mentioned in the court’s opinion but on the trial testimony of Rentsch, Schoonover and other witnesses.

The composite evidence, we submit, solidly supports Finding 65 which in turn disposes of Appellant’s current argument based on Exhibit JQ.

Defendant’s UNITAB Liner Alleged to Incorporate Plaintiff’s Confidential Information Was, in Fact, Developed Entirely From Kaiser’s Own Knowledge and Information or That Obtained From Sources Other Than Plaintiff.

Findings to the above effect are 51 through 65, 70 and 75 and evidence supporting such findings is discussed in the Memorandum of Decision at R 3634 through 3640. Such evidence is also discussed in Defendants’ post trial briefs at SR 150/pp 42-45; R 3119/pp. 11-17.

It bears emphasis that a very important part of the evidence supporting the above listed findings is the trial testimony of Sauer and Woodward, Plaintiff's own witnesses. Substantial corroboration was also furnished by Defendants' business records prepared *ante litem motam*, and by the deposition testimony of Ford.

Thus, we submit, the findings as to the independent development of Kaiser's UNITAB are solidly supported and not in any degree erroneous.

The Commercial Success and Benefits of the UNITAB Did Not Result in Any Significant Degree From the Use of Spacing Therein But From a Combination of Other Features Unrelated to Spacing.

Finding 52 is the basis for the above topic heading and that finding is supported by substantial evidence including Defendants' business records Exhibits MC and JX, the trial testimony of Miss Lloyd [Tr. 4056-4060] and Miller [Tr. 10096-98; 10113-10122], and the deposition testimony of Ford [Tr. 9875, 9880, 9925 and 9948].

See also Memorandum of Decision R 3675-3677.

Clearly Finding 52, like all others, is supported by substantial evidence and not erroneous.

It will be noted that the effect of spacing used in the UNITAB (T-3) [Exhibit JX] is that which Plaintiff concedes to be an elementary principle of physics [Memorandum of Decision R 3614] and not part of Anderson's invention.

Note also that this "spacing" feature was precisely described by Davis in Exhibit DB on September 10, 1953, prior to the earliest date on which Anderson could have made the invention according to Plaintiff's proof. See Finding 91.

The Confidential Information Cause Was, in Any Event, Barred by the Statute of Limitations.

Defendants sought to dispose of the confidential disclosure (tort) causes at the beginning of trial and again at the close of Plaintiff's case, on the ground that these causes were barred by the two year Statute of Limitations as construed in *Thompson v. California Brewing Company*, 150 Cal. App. 2d 469 (1957); *Thompson v. California Brewing Company*, 191 Cal. App. 2d 506 (1961). See "Pre-Trial Memorandum of Defendants *re* Order of Proof" R 1573-1581. Additional authorities bearing on the Statute of Limitations question are set forth in said memorandum and need not be repeated here.

Plaintiff's memorandum in opposition to our first motion on this subject appears at R 1639-1662. Significantly. Nothing is said in Plaintiff's memorandum about a "continuing tort", Plaintiff's denial of the applicability of the Statute being predicated entirely on its contention that Kaiser was guilty of fraud which either tolled the statute or made the three year Statute applicable.

The limitation of action issue was again raised as one ground for our motion to dismiss at the close of Plaintiff's case. SR 150/pp. 82-93.

Again, Plaintiff did not raise the "continuing tort" defense to the motion but continued to rely on Defendants' alleged fraud. Plaintiff's brief on motion R 2829/pp. 205-232.

Now that the trial is over and the court has found that Defendants were *not* guilty of any fraud and that the confidential disclosure tort causes are barred [Finding 73], Appellant raises for the first time the theory that Defendants' acts here were "continuing torts" and some of them were within the statute. Appellant's Brief, p. 139 *et seq.*

It is believed to be well established that Appellant should not be permitted to raise this point for the first time on appeal. *Eason v. Dickson*, 390 F. 2d 585 at 589 (9th Cir., 1968). If Appellant's present argument had been raised below, Defendants could have shown that it was without merit for various reasons including the estoppel and laches inherent in Plaintiff's lack of candor in concealing its conclusions in June of 1955 that Defendants infringed. See Memorandum of Decision R 3650; R 3683-4 and R 3690.

Appellant has also challenged (Appellant's Brief, p. 141) our citation of *Thompson v. California Brewing Co.*, as stating the law as to limitation of actions in California. In this Appellant has failed to note that there are *two* reported opinions in the above case, *viz.* at 150 Cal. App. 2d 469 (1957) and at 191 Cal. App. 2d 506 (1951). These two opinions were both cited and discussed in our brief before the trial court. See SR 150/p. 93 incorporated by reference in Defendants' post trial brief R 3119/p. 33.

Contrary to Appellant's assertion in its brief, *Thompson did* involve an alleged tort of breach of confidence and a count based on such theory was held to be properly dismissed as barred by the two year statute. See *Thompson v. Calif. Brewing Co.*, 150 Cal. App. 2d 469 at 474 (footnote) and 477.

Contrary to the case at bar, in the *Underwater Storage* case (371 F. 2d 950) cited by Appellant on page 140 of its brief, the question of whether or not a "continuing tort" was involved, *was* raised in the trial court. See 371 F. 2d 950 at 952. Also, and more

important, the cited case was decided on a motion for summary judgment whereas the issue here was resolved under plenary trial.

In *Underwater Storage* moreover, the court was at pains to point out that in order to avoid the statute, the Plaintiff must show that some *wrongful* use took place within the statutory period. See 371 F. 2d 950 at 953. In the case at bar, no such showing was made and, indeed, as we will note below, none could be.

Even assuming *arguendo* that some misappropriation took place prior to June 1955 when Plaintiff first learned facts from which it secretly (and erroneously) concluded "infringement" [Exhibit GK], no misappropriation could take place after June 1956 (start of statutory period) if, through no fault of Defendants, the once-secret information was then public. This is exactly what happened here. *Plaintiff itself* published the alleged confidential information more than two years prior to filing the action. See evidence on this discussed in our post trial briefs, SR 150/pp. 72-76; R 3119/pp. 26-32. Also, competing companies, to Plaintiff's and Defendants' knowledge, appeared on the market in Southern California with kiln liners embodying a basic brick and short shim combination thus indicating that what Plaintiff alleged to have been secret was, in fact, well known in the trade by the end of 1955 at the latest. See Exhibit FN (General Refractories, Feb. 1955) and Exhibit HG (Harbison Walker, August 1955).

Applicant's citation on this point of *Titcomb v. Norton Company*, 208 F. Supp. 9 as "affirmed (2nd Cir.

1962) 307 F. 2d 253” is inaccurate in that the unfair competition counts, barred by the statute, were dropped from the appeal and the appellate court never considered or passed upon the correctness of the proposition quoted on page 141 of Appellant’s Brief. See *Titcomb supra*, 307 F. 2d 253, footnote 1, page 254.

In any event, neither the *Underwater Storage* nor *Titcomb* cases considered facts analogous to those in the case at bar.

Also, as noted above, Plaintiff deliberately concealed its conclusion in June of 1955 that Defendants were stealing Plaintiff’s ideas and were guilty of infringement, hoping to trap Kaiser into accepting a license. Findings 60, 61 and 67; Memorandum of Decision R 3682-3684. Thus, in equity, Plaintiff is in no position to contest the application of the Statute of Limitations.

Thus, it is clear that Appellant’s “continuing tort” theory is not applicable to the present case and would have been promptly disposed of had it been raised in the trial court.

THE AWARD IS INDEPENDENTLY JUSTIFIED UNDER THE TRIAL COURT'S GENERAL EQUITY POWERS TO COMPENSATE A PREVAILING PARTY SUBJECTED TO VEXATIOUS LITIGATION.

After the trial court handed down its Memorandum of Decision in June 1966, Plaintiff associated new counsel. New counsel embarked on a campaign to convince the trial court that what Plaintiff had theretofore insisted were "inextricably intermingled" issues relating to the same basic facts, were in reality separate and compartmentalized issues—mostly non-patent. New counsel further argued that the services of Defendants' attorneys could be similar compartmentalized and that any award should be allocated only to such services as related *solely* to defense of patent issues.

The court carefully considered such argument but on the basis of its intimate knowledge of the case since its inception, rejected it, explaining its reasons in detail in its order of October 17, 1966 [R 4510] and in its Supplemental Memorandum of Decision of January 6, 1967. R 4665 although the court based its award of attorneys' fees solely on the provisions of 35 USC 285 (award of fees in "exceptional" patent cases) it also noted that:

"There is authority for the proposition that the Court may award attorneys' fees as costs in non-patent claims when such claims are unconscionable, the equivalent of fraud, in bad faith or solely for purposes of vexation and harassment." [citing *Sprague v. Ticonic National Bank*, 307 U.S. 161, 59 S. Ct. 777 (1939) and a line of following cases including *Carter Products, Inc. v. Colgate-Palmolive Co.*, 214 F. Supp. 383 (D.C. Md. 1963) wherein an award of some \$500,000 attorney fees was

made based in substantial part on the rule quoted above.] “. . . An award of attorneys’ fees in this case could be based upon this authority”. R 4669-70.

The trial court further said:

“The award made in this case is within the authority of the statute, [35 USC 285] consistent with its purpose and, at the same time, is in an amount which should be awarded in the exercise of sound discretion to prevent injustice under the Court’s general equity power.” R 4670.

Appellant has vigorously attacked the above quoted statements by the Trial Court as contrary to law. Appellant’s Brief, pp. 24-31. Also, in an obvious attempt to escape application of the ruling in the *Carter Products* case, *supra* (214 F. Supp. 383) Appellant argues at several points in its brief (*e.g.*, p. 27) that even if the rule stated by the trial court is corrected, it should only be applied against a vexatious defendant, *qua* “defendant”, and not against a vexatious plaintiff*.

We respectfully submit that the Appellant is wrong on both counts and that the rule stated by the trial court is correct law and applies with equal force to all vexatious litigants whether plaintiffs or defendants.

*In urging that a distinction should be made as between awards to plaintiffs and awards to defendants simply on the basis of the parties’ posture in the suit, Appellant alleges that its “diligent search” found that the largest award to a prevailing defendant in a reported patent case was \$40,000. Appellant’s brief, p. 104. Appellant’s diligent search apparently overlooked the case of *Rayonnier, Inc. v. Georgia Pacific Corp.*, 156 U.S.P.Q. 110 (D.C. W.D. Wash. 1967) wherein the *defendant* in a patent case represented by Appellant’s present counsel, received an award of \$50,000. We are advised that counsel for defendant in that case (and for Appellant herein) cited the case at bar as authority for the award to defendant in that case.

Accordingly, assuming *arguendo* that, contrary to Plaintiff's repeated assertions during trial, some part of the services of Defendants' attorneys was entirely unrelated to any patent issue, the award was nonetheless correct in law as explained below.

Sprague v. Ticonic Affirms the Historic Equity Jurisdiction of Federal Courts to Award Counsel Fees in Appropriate "Exceptional" Cases and the Rule Is Not Limited to "Common Fund" Cases.

While *Sprague v. Ticonic*, 307 U.S. 161, 59 S. Ct. 777 involved an award of counsel fees in a species of so-called "common fund" case, the rule and principle stated therein were not stated to be limited to such cases but were obviously intended to have much wider application. Note this language:

"Whether action by the District Court on the merits of the petition [to award counsel fees] was foreclosed by this Court's mandate in *Ticonic Bank v. Sprague*, *supra*, and was further limited by restrictions which terms of court may impose, are questions subsidiary to the power of federal courts in equity suits to allow counsel fees and other expenses entailed by the litigation not included in the ordinary taxable costs recognized by statute.

"Allowance of such costs in appropriate situations is part of the historic equity jurisdiction of the federal courts. The suits 'in equity' of which these courts were given 'cognizance' ever since the First Judiciary Act, 1 Stat. 73, constituted that body of remedies, procedures and practices which theretofore had been evolved in the English Court of Chancery, [footnote omitted] subject, of course,

to modifications by Congress, e.g., *Michaelson v. United States*, 266 U.S. 42, 45 S. Ct. 18, 69 L. Ed. 162, 35 A.L.R. 451. The sources bearing on eighteenth-century English practice—reports and manuals—uniformly support the power not only to give a fixed allowance for the various steps in a suit, what are known as costs ‘between party and party,’ but also as much of the entire expenses of the litigation of one of the parties as fair justice to the other party will permit, technically known as costs ‘as between solicitor and client.’” (emphasis added) 307 U.S. 161 at 164-6.

Appellant contends that the rule of *Sprague v. Ticonic* must be limited to “common fund” cases and has no application to vexatious litigation cases. Appellant’s Brief, pages 26-31. We earnestly submit that Appellant’s view of the law on this point is wholly incorrect.

Sprague is frequently cited as authority for awarding counsel fees in “vexatious litigation” cases. Among the more important cases citing *Sprague* in support of such awards is *Carter Products, Inc. v. Colgate-Palmolive Co.*, 214 F. Supp. 383 (D.C. Md. 1963).

Fundamentally, the facts and circumstances of *Carter* are very similar to those of the case at bar, particularly in that both patent and non-patent issues were involved. The only difference which Appellant is able to point to is that the award in *Carter* went to a prevailing *plaintiff* whereas the award went to Defendants in the present case.

Appellant deprecates the *Carter* opinion, referring to it as “one more paste-board in the house-of-card line of authority”. Appellant’s brief, page 30.

Carter and *Sprague* may not so easily be disposed of.

First, we note that there were several opinions reported in *Carter*. The initial decree awarding fees for services in both branches of the case (leaving the amount to be determined later) was entered in 1955 [130 F. Supp. 557] and, with a slight modification not pertinent here, affirmed in the 4th Circuit in 1956 [230 F. 2d 855]. Petition for Certiorari was denied. 352 U.S. 843, 77 S. Ct. 43.

Thereafter, the matter was submitted to a master for determination of the amount of fees to be awarded under the decree and in 1963, the trial court's opinion and judgment was entered affirming the amount of the award [214 F. Supp. 383].

It is in the last noted opinion that *Sprague* was cited and its application to the situation then before the court was explained. See 214 F. Supp. 383 at 413-416. The amount of fees awarded in that case was in excess of \$500,000 for services in connection with a six week trial (See 230 F. 2d 855 at 866). Here the trial covered 19 months and the parties were actually in court during about 22 weeks of that period.

No allocation was made in *Carter* as between respective services rendered in connection with the patent phase and the trade secret phase of the case, the court stating in effect that no such allocation was required because of the inherent equity power of the court to award fees in the trade secret phase even in the absence of a statute. (214 F. Supp. 383 at 414-415). The authorities relied upon to support this inherent power, including *Sprague*, are those relied upon by the trial court in the case at bar.

Appellant argues that the inherent equity power to award counsel fees, reiterated in *Sprague*, should be limited to "common fund" cases. This is not the law.

The noted authority, Professor Moore, has reviewed the line of authorities that follow the *Sprague* principle, and after a discussion of *Sprague v. Ticonic*, states:

“The equitable power is *not confined to the fund cases*. It is sufficiently broad that a federal district court may award attorney’s fees in favor of one party and against another, where *an unfounded action* or defense is brought or *maintained* in bad faith, vexatiously, wantonly, or for oppressive reasons.” (emphasis added). 6 Moore Federal Practice 1352 (1966 Ed.)

Moore’s above quoted statement of the inherent power of federal courts to award counsel fees in exceptional cases has received very recent approval by the U. S. Supreme Court in *Newman v. Piggie Park Enterprises*, U.S., 88 S. Ct. 964 (March 18, 1968). In construing the intent of Congress in providing for awards of attorneys’ fees to prevailing plaintiffs in civil rights cases, the Court observed that no act of Congress was required to award fees in cases of litigation conducted in bad faith, vexatiously, wantonly, or for oppressive reasons citing 6 Moore 1352 as its sole authority for the statement. 88 S. Ct. 964 at 966 footnote 4.

It will be observed, of course, that the *Piggie Park* case involved a disputed award to a plaintiff and the Court couched its statement accordingly. However, nothing appears in the opinion that would indicate that such nonstatutory awards are limited to plaintiffs and Moore, the only authority cited, clearly holds to the contrary and indicates that the principle is applicable equally to both plaintiffs and defendants.

There Is No Authority or Reason in Equity or Logic for Favoring Plaintiffs and Disfavoring Defendants in the Award of Attorneys' Fees.

At several points in its brief, Appellant postulates that whatever law there may be, statutory or otherwise, authorizing awards of counsel fees in exceptional cases, such law under "American policy" favors awards to plaintiffs but not to defendants. See, *e.g.*, Appellant's Brief, pages 27-30 and 103-106.

Appellant's attempts to support the proposition consist primarily in an argument that our American system of jurisprudence exalts free access to the courts and to award counsel fees against a losing plaintiff discourages such resort to the courts.

We agree, of course, that in this country "... attorneys' fees are not *ordinarily* recoverable in the absence of a statute or enforceable contract providing therefor." *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 at 717, 87 S. Ct. 1404 at 1407 (1967) (emphasis added). But Appellant's argument loses sight of the fact that this is *not* an "ordinary", but an *exceptional* case and the basis of an award in the "exceptional" case is the bad faith; the vexatious, malicious or oppressive conduct of the losing party. Where is it written in the annals of American jurisprudence or elsewhere that such a vexatious litigant should not be discouraged from using the courts to harass others?

We submit that the law is exactly the other way and that where, as in the case at bar, the very foundations of a plaintiff's claims are tainted with fraud and chicane and where plaintiff persists long after knowledge of the lack of merit in its cause and engages in dilatory and harassing tactics, the case becomes "exceptional" and justice requires that such a plaintiff

bear the costs of such litigation—his own and his opponents. If this policy discourages vexatious litigants from entering the judicial arena, so much the better.

This also answers Appellant's contention as to the law in the State of California. Appellant's Brief, pages 31-32. Note that the *Freeman* opinion quoted by Appellant (Brief, p. 32) is qualified by the word "ordinarily".

To do as Appellant suggests and deny award against vexatious plaintiffs merely because they are "plaintiffs" would be to make the courts instruments of coercion and blackmail. We submit that an important basis for the inherent equity powers referred to in *Sprague* and the cases following it, is to discourage just such result.

Appellant argues that the line of cases such as *Sprague* and *Carter*, supporting non-statutory awards of counsel fees in exceptional cases has been "swept away" by this Court in *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 359 F. 2d 156 (9th Cir. 1966) aff'd 386 U.S. 714; 87 S. Ct. 1404 (1967). Appellant's Brief, page 29.

In our view, this contention is at best, an unwarranted exaggeration particularly in view of the *Piggie Park* case, *supra*, 88 S. Ct. 964 (March 18, 1968) wherein, as late as March of this year, the Supreme Court again gives its approval to Professor Moore's recapitulation of the principle of the line of cases which Appellant attacks.

Moreover, the *Maier* opinion, as we read it, does not by its own terms, apply to *non-statutory* awards of counsel fees at all. The case merely states the rule that where Congress has provided a statutory cause of action together with intricate remedies therefor [*e.g.*, the Lanham Act], ". . . other remedies [*e.g.*, an award of counsel fees] should not be readily implied" *Fleisch-*

mann v. Maier, supra, 386 U.S. 714 at 719-20, 87 S. Ct. 1404 at 1408 (1967).

In other words, the prevailing plaintiff in *Maier* was entitled to costs and damages which could in appropriate circumstances be *trebled* and, as this Court observed, Congress knows how to provide for attorneys' fees to prevailing parties if it so desires and did not do so in the Lanham Act under which *Maier* was tried. Thus, it is easily inferred that Congress intended the treble damages provision to be sufficient remedy for plaintiffs and that as this Court observed, "it would be piling Pelion on Ossa to provide for attorney's fees as well" *Maier, supra*, 359 F. 2d 156 at 160.

But no such considerations apply here. The trade secret cause is *not* a statutory cause of action providing "intricate remedies" or indeed, *any* statutory remedy for defendants who are subjected to vexatious trade secret actions.

Furthermore, the reasoning of the *Maier* case does not apply in terms to defendants since a defendant has everything to lose and nothing to gain by such an action.

But, if Appellant's theory of the law were to be adopted, and applied to non-statutory actions, a plaintiff would have everything to win and nothing to lose. He could be as vexatious as he liked and if such tactics harried the defendant into a coerced settlement, he would win. If not, he would lose nothing but his own expenses and minor "taxable costs."

Fortunately for our jurisprudence, Appellant's view does not prevail. As shown by Moore's analysis, above cited and approved by the Supreme Court in the *Piggie Park* opinion *supra* (88 S. Ct. 964 at 966) our Federal courts still have the inherent power under principles of equity and justice to cast upon the vexatious litigant the cost of his own harassment.

CONCLUSION.

As the Trial Court observed, this case was exceptional not only by reason of Plaintiff's fraud, lack of faith in the validity of its claims and unnecessary prolongation of the trial, but also because of the manner of Plaintiff's presentation of the case which—

“... from the discovery stage through the motion and pretrial stage and throughout the trial itself made it impossible to separately treat the evidence which was relevant and material to the patent count (Count Six) and its defenses from the evidence relevant and material to the other counts.”

Supplemental Memorandum of Decision R 4665.

The trial judge presided over the case during all of the time he referred to above and was thus in a position (not enjoyed by Appellant's newly associated appeal counsel) to assess the motives of both parties and their counsel during trial and to make an informed judgment as to which party was responsible for these “exceptional” aspects of the case. See Order re Objections to Plaintiff's Interrogatories, etc. R 4511-12.

Moreover, the trial judge was in a position to evaluate and take into consideration all countervailing equities in favor of Plaintiff and apply such considerations in his determination of the amount of the award.

He obviously did so in reducing to \$280,000 the attorneys' fees in excess of \$424,000 actually paid by Defendants in defense of this action. See Supplemental Memorandum of Decision R 4667-4670 and Findings 137 and 138.

We submit that the patience and amount of time and consideration given by the trial judge in this case to the attorneys' fee question—as well as to every aspect of the trial and evidence—is yet another excep-

tional aspect of the case. Findings and Judgment based upon such consideration of the supporting evidence and careful application of the law thereto should not be disturbed.

Wherefore, we respectfully urge that the Judgment below be *affirmed* in all respects.

We further request, on the authority of *Twentieth Century Fox v. Goldwyn*, 328 F. 2d 190 at 226 (9th Cir. 1964) that this Court in affirming the Judgment, award additional reasonable attorneys' fees incident to this appeal.

Respectfully submitted,

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Certificate.

I certify that in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

WILLIAM K. RIEBER

No. 21775

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

MONOLITH PORTLAND MIDWEST COMPANY, a Nevada
corporation,

Appellant,

vs.

KAISER ALUMINUM & CHEMICAL CORPORATION, *et al.*,
Appellees.

VOLUME II. APPENDIX.

FILED

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VOLUME II.

APPENDIX.

Memorandum of Decision.

United States District Court, Southern District of California, Central Division.

Monolith Portland Midwest Company, a Nevada corporation, Plaintiff, vs. Kaiser Aluminum & Chemical Corporation, et al., Defendants. Civil No. 553-58-S.

This cause came on regularly for trial before the Honorable Albert Lee Stephens, Jr., Judge presiding, sitting without a jury. Enright, Elliott & Betz by Norman Elliott, Esq., appeared as counsel for plaintiff. Thelen, Marrin, Johnson & Bridges by Peter Anderson, Esq., and Fulwider, Patton, Rieber, Lee & Utecht, by William K. Rieber, Esq., appeared as counsel for defendants. Oral and documentary evidence was introduced by the parties and after oral argument, the Court ordered the cause submitted.

JURISDICTION AND PARTIES

Federal jurisdiction is invoked on the ground of diversity of citizenship and an amount in controversy, exclusive of interest and costs, of more than \$3,000.00. [3560]* [This action was filed prior to the effective date of 28 U.S.C. §1332(b), as amended July 25, 1958.] There is no doubt that the amount in controversy was and now is in excess of \$10,000.

*Record page numbers indicated thus.

Jurisdiction as to the Sixth Cause of Action [patent infringement] is invoked under 35 U.S.C. §1338.

This is an action by Monolith Portland Midwest Company, a Nevada corporation, against Kaiser Aluminum & Chemical Corporation, a Delaware corporation, Kaiser Aluminum & Chemical Sales, Inc., a California corporation, and three Kaiser employees—George C. Davis, Palmer Ford and Pete Olive. [Palmer Ford is no longer employed by either of the defendant Kaiser companies.] On June 6, 1958, when the original complaint was filed, George C. Davis was a resident of California, Pete Olive was a resident of Washington, and Palmer Ford was a resident of California.

Plaintiff is a cement company. It owns and operates a cement plant at Laramie, Wyoming. Monolith Portland Cement Company [hereinafter called "Monolith"] which owns all of plaintiff's common stock, also owns and operates a cement plant in the Tehachapi Valley at Monolith, California, about 125 miles north of Los Angeles. Plaintiff and Monolith are joint venturers with respect to exploitation of the invention that is the subject of this action. Both companies maintain their executive offices at 643 South Olive Street, Los Angeles, California.

The defendant Pete Olive was never served with process and has never answered or formally pleaded herein. Plaintiff has contended that because of his contacts with the litigation, Olive has submitted to the jurisdiction of this Court. The Court ruled against this contention, and the action was therefore ordered dismissed as to Pete Olive without prejudice. [3561]

INTRODUCTION

In the first five counts, plaintiff claims a right to damages or compensation from defendants upon several legal theories. The sixth cause of action is for patent infringement which will be treated separately later. But other than patent infringement, plaintiff's chief reliance is upon the theory that plaintiff is entitled to damages for breach of confidence. The law on this subject is usually associated with trade secrets. A brief exposition will help to identify the issues of fact which are about to be discussed. The case turns upon the facts rather than upon fine points of law.

Plaintiff has preferred to use the term "valuable information" in place of the term "trade secret." The Court has adopted the use of plaintiff's terminology to avoid the impression that the plaintiff and the Court are not talking about the same thing.

If the plaintiff's claim were established, then, independent of plaintiff's claim of patent infringement, an award of damages resulting from that breach would be proper. *Englehard Industries, Inc. vs. Research Instrumental Corp.*, 325 F. 2d 347 (9th Cir., 1963).

The principle of law urged by plaintiff is stated in Sections 757, 758 and 759 of the Restatement of the Law of Torts. A trade secret may consist of a device or compilation of information used in one's business which gives him an advantage over competitors who do not know or use it. Generally it relates to the production of goods. It may be a device or process which is clearly anticipated in the prior art or it may [3562] be a mechanical improvement that a good mechanic can make. *Futurecraft Corp. vs. Clary Corp.*, 25 C.A.

2d 379, 23 Cal. Rptr. 198 (1962); *Sarkes Tarzian, Inc. vs. Audio Devices, Inc.*, 166 F. Supp. 250, 258 (S.D. Cal., 1958).

A trade secret need not reach the stature of an invention. *Hoeltke vs. C. M. Kemp Mfg. Co.*, 80 F. 2d 912, 922 (4th Cir., 1935) Cert. den. 298 U.S. 673, 56 S.Ct. 938, 80 L.ed. 1395 (1936); *Atlantic Wool Combing Co. vs. Norfolk Mill, Inc.*, 148 U.S.P.Q. 571 (1st Cir., 1966). In the latter case, Judge Hastie cites with approval Restatement of the Law of Torts, §757, Comment b:

“ . . . Novelty and invention are not requisite for a trade secret as they are for patentability. . . . The protection is merely against breach of faith and reprehensible means of learning another's secret. For this limited protection it is not appropriate to require also the kind of novelty and invention which is a requisite of patentability. . . . ”

Although novelty in the patent sense is not a prerequisite for protection as a trade secret, the law requires substantial novelty. *Berry vs. Glidden Co.*, 92 F. Supp. 909, 912 (S.D. N.Y., 1950), and cases cited therein. “If the rule were not so restricted it is obvious that by disclosing an idea under delusions of confidence, the person making the disclosure could thereafter prevent the confidante (sic) from subsequently making use of it, even though the idea was well-known prior to the date of the disclosure and open to the use [3563] of all others in the world.” *Smoley vs. New Jersey Zinc Co.*, 24 F. Supp. 294, 300 (D. N.J., 1938) Aff'd. 106 F. 2d 314.

It must at least be novel to the person receiving the disclosure. If the elements of the formula or pattern

are known to him prior to the disclosure, he cannot be restrained from using the same or compelled to account for any past use. *Berry vs. Glidden Co.*, *supra*. A disclosure in confidence of a process which lacks the essential of novelty will defeat the allegation of an implied agreement to refrain from its use and plaintiff has the burden of establishing novelty. *Smoley vs. New Jersey Zinc Co.*, *supra*. “[T]he word ‘disclosures’ itself implies that the things referred to were secret, concealed or unknown prior to the time of their revelation.” *American Potato Dryers vs. Peters*, 184 F. 2d 165, 72 (4th Cir., 1950). *Lueddecke vs. Chevrolet Motor Co.*, 70 F. 2d 345 (8th Cir., 1934). In the latter case, the Court determined that if there was no novelty in plaintiff’s suggested idea, it was one “to the use of which the defendant had an equal right with [plaintiff].”

Matters of public knowledge or of general knowledge in an industry are not secret. Some of the factors which may be considered in determining whether some particular information that has been given is a trade secret are: The extent to which the information is known outside the particular business, the extent of measures taken to guard the secrecy of the information, the value of the information to the one who discloses and to his competitors, the amount of effort or money expended in developing the information, and the ease or difficulty [3564] with which the information might be properly acquired or duplicated by others. *Mycalex Corporation v. Pemco Corporation*, 64 F. Supp. 420 (D. Md., 1946); Restatement of the Law of Torts, Comment, Section 757.

“At best, a trade secret protects only during the period when others working in the same field do

not, in the ordinary course of their work, make the same discovery. Even in pure science where the problem situation is much more diffuse than in industrial research or development, there are many well authenticated cases of simultaneous discovery by persons or groups who and whose works were completely unknown to one another. . . . When it comes to a trade secret in manufacturing there is greater likelihood of simultaneous discovery: . . . This, . . . may result in parallelisms of action which may be fortuitous because they are inherent in the problem and in its solution, and not the result of conscious copying or imitation.” *Sarkes Tarzian, Inc. vs. Audio Devices, Inc.*, 166 F. Supp. 250, 279.

The Restatement of the Law of Torts, §757, sets forth the general rule of liability in a case such as the instant one where a breach of confidence is charged:

“§757. *Liability for Disclosure or Use of Another’s Trade Secret—General Principle.*

“One who discloses or uses another’s trade secret, without a privilege to do so, is liable [3565] to the other if

“(a) he discovered the secret by improper means,
or

“(b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or

“(c) . . .

“(d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.”

In the comment which follows the rationale behind this rule is stated: "It is the employment of improper means to procure the trade secret, rather than the mere copying or use, which is the basis of the liability under the rule in this Section. . . . One who discovers another's trade secret properly, as, for example, . . . by independent invention . . . is free to disclose it or use it in his own business without liability to the owner."

The confidence does not arise if the recipient has no notice of the confidential character of the disclosure. "But no particular form of notice is required. The question is simply whether in the circumstances [the recipient] knows or should know that the information is [the discloser's] trade secret and that its disclosure is made in confidence." Comment on Clause (b). *Lueddecke vs. Chevrolet Motor Co.*, *supra*. Thus, one may not impose upon another, by a gratuitous and unilateral act a confidential relationship. *Official Airlines Sched. Inform. Serv. vs. Eastern Air Lines*, 333 F. 2d 672 (5th Cir., 1964), discussing analogous principle of disclosure [3566] of literary property. The principle is analogous to the contract theory requiring a reasonable "meeting of the minds" on essentials embodied in the contract."

There is no need for an express promise of trust with respect to the information disclosed. *Heyman vs. Ar. Winarick, Inc.*, 325 F. 2d 584 (2d Cir., 1963); *Speedry Chemical Products, Inc. vs. Carter's Ink Company*, 306 F. 2d 328 (2d Cir., 1962); *Trenton Industries vs. A. E. Petersen Mfg. Co.*, 165 F. Supp. 523 (S.D. Cal., 1958); *Hoeltke vs. C. M. Kemp Mfg. Co.*, *supra*, cited with approval in *Filtex Corporation vs. Amen Aityeh*, 216 F. 2d 443 (9th Cir., 1954).

The elements of a cause of action based on the facts of the present suit are: (1) that there was a disclosure in confidence; (2) that the disclosure was of something novel; and (3) that the defendant appropriated the information disclosed to its own use. *Schreyer vs. Casco Products Corp.*, 97 F. Supp. 159 (D. Conn., 1951) *Mitchell Novelty Co. vs. United Mfg. Co.*, 199 F. 2d 462 (7th Cir., 1952) and cases cited therein; *Official Airlines Sched. Inform. Serv. vs. Eastern Air Lines*, *supra*; *Trenton Industries vs. A. E. Petersen Mfg. Co.*, *supra*.

Whether or not there exists an atmosphere of confidentiality will depend upon the circumstances under which the parties' relationship was established and maintained. The question of fact to be determined is what the parties understood to be their relationship and the circumstances which might give rise to such an implied understanding. *Kamin vs. Kuhnan*, 374 P. 2d 912 (Ore. Sup. Ct., 1962). An important factor may be whether the information disclosed has such value that it may reasonably be implied that the recipient of the information is not [3567] privileged to use it for his own profit. Or, the disclosure may have been entrusted for a limited purpose only, thus giving rise to a strong implication that any other use would violate the true intent of the parties. *Atlantic Wool Combing Company vs. Norfolk Mills, Inc.*, 148 U.S.P.Q. 571 (1st Cir., 1966); *Servo Corporation of America vs. General Electric Company*, 337 F. 2d 716 (4th Cir., 1964); *McKinzie vs. Cline*, 252 P. 2d 564 (Ore. Sup. Ct., 1953), relied upon in *Radiator Specialty Company vs. Micek*, 327 F. 2d 554 (9th Cir., 1964); *Smith vs. Dravo Corp.*, 203 F. 2d 369 (7th Cir., 1953). Promis-

cuous disclosures, or a simultaneous or prior disclosure to others, may defeat one's claim of confidentiality. *Northup vs. Reish*, 200 F. 2d 924 (7th Cir., 1953); *Smith vs. Dravo Corp.*, *supra*. One of the most frequently appearing citations on this issue is taken from *DuPont de Nemours Powder Co. vs. Masland*, 244 U.S. 100, 37 S. Ct. 575, 61 L.ed. 1016 (1917), wherein Justice Holmes states:

“ . . . Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them.” (37 S. Ct. 575 at page 576.) [3568]

The first phrase of the statement must, of course, be read in context of the motion for preliminary injunction which was before the Court. Having recognized that what was claimed to be a secret was communicated in confidence, the Court maintained the *status quo ante* until the cause could be determined upon its merits. See *McGraw-Edison Co. vs. Central Transformer Corp.*, 308 F. 2d 70, 74 (8th Cir., 1962).

There is little need to carefully distinguish between plaintiff and Monolith. The agents and employees of both companies figure prominently in the picture and the two companies are joint venturers in the exploitation of the patent in suit. A distinction is made when it seems to be reasonably necessary.

The principal defendants are named Kaiser companies and it is generally unnecessary to draw a distinction between the defendants, including the individuals, or between the two companies. Sometimes a distinction is noted. The term Kaiser has been used to denote both defendant companies. [3569]

Kaiser manufactures and sells bricks which are used to line the inside of steel-shelled cement kilns to protect the steel from heat and abrasion. One such product is now sold under the trade name Unitab. Plaintiff claims that the information necessary to develop the Unitab was the subject of a confidential disclosure from plaintiff to defendants.

The Unitab is a conventional basic refractory brick with a piece of cardboard glued to one end and an L-shaped steel plate covering part of the top of the brick and extending down one side to within a half inch of the bottom of the brick. The L plate is glued on. The steel plate is called a shim and since it does not extend to the bottom of the brick, it is called a short shim. Plaintiff claims that leaving the one-half inch space between the end of the steel plate and the bottom of the brick is the employment of information confided by plaintiff to Kaiser. Plaintiff claims compensation from Kaiser on the ground that otherwise Kaiser will be unjustly enriched and damages from Kaiser for disclosure of plaintiff's valuable information to the world. Plaintiff also claims that the Unitab is an infringement of a patent obtained by an employee, Anderson, and assigned to plaintiff.

The case, therefore, divides itself into two parts, the non-patent counts and the patent count. An explana-

tion of the operation of a cement kiln in the making of Portland cement is a preliminary to any discussion of either part. A patent issued to Thomas A. Edison in 1905 is a convenient starting place for explanation of the cement process and references to later patents in this field traces the development of knowledge in the art and industry. [3570]

One leg of plaintiff's case is a misinterpretation of the disclosures of certain of the early patents, notably those of Heuer and Longacre. Plaintiff asserts that these patents teach that the spacer plates used between the bricks must be in full contact with the shell of the kiln. These patents teach exactly the opposite, that it is not necessary for the spacer plates to contact the shell. Plaintiff reasons that the burning zone in the cement kiln is the higher temperature installation referred to by these inventors for which they recommend that the plate contact the shell. The discussion on this subject will demonstrate plaintiff's error. Industry's knowledge and practice in the use of shims prior to the time of plaintiff's first claimed disclosure is next discussed.

The confidential disclosures are claimed to have been made from time to time through Kaiser salesmen, but three conferences are chiefly relied upon. Each is discussed in turn. Exactly what information is claimed to have been disclosed is not easy to define or pin down. Kaiser's claims that plaintiff had no such information to disclose and that Kaiser already knew as much about the subject as plaintiff and sufficient to develop the Unitab are at issue.

Part of the information which plaintiff communicated to defendants is that by the use of its short ra-

dial shim, plaintiff had increased production and lining life. Kaiser contends that this was a knowing misrepresentation of fact. Plaintiff contends that what was known about [3571] the radial shim was applicable to the kind employed by the Unitab. Kaiser denies this.

Even assuming the communication of the information, Kaiser's position is that there was nothing confidential about it. Kaiser admitted in a letter that certain information was confidential. Plaintiff construes this instrument as little short of a confession of judgment. It was written at a time when the parties were engaged in discussions concerning a license from plaintiff to Kaiser to practice plaintiff's invention. The patent had not yet issued and Kaiser had not been shown either the application or a disclosure of its contents. Kaiser contends that the negotiations were at arm's length, rather than confidential and that in context the letter referred only to plaintiff's radial short shims, which are not used by Kaiser.

After the greatest care in consideration of the voluminous record and great quantity of exhibits, the Court's view of the evidence is opposed to the position taken by plaintiff in almost every instance. The length and detail of this Memorandum of Decision is to avoid misunderstanding as to the Court's position and to make plain the supporting reasons. [3572]

THE PROCESS OF MAKING PORTLAND CEMENT

This case revolves around the process of making Portland cement. This product may be made from many different materials which are abundantly available. The chemistry of the process varies with the material used and also with the properties desired of the finished product. The mechanical processing of the raw materials into the finished product is basically the same for all materials and finished products.

There are two processes known respectively as the dry process and the wet process. A description of the wet process will furnish sufficient background for discussion of the factual issues before the Court. The raw materials are crushed or ground to predetermined fineness and uniformity. Water is added until the mixture is of the desired consistency. This mixture is then referred to as slurry or feed.

The slurry is introduced into the upper end of an inclined, rotating tube, which is the kiln. As the tube is rotated, the slurry makes its way to the lower end. In the course of passing down the tube, the slurry is heated by means of hot gases passing from the lower to the upper end. The hot gases drive off the water in the slurry and eventually what passes from the lower end of the tube or kiln is sintered clinkers. These are then ground to a fine powder which is the principal ingredient in the finished product, the familiar sack of Portland cement. [3573]

Rotary cement kilns were at one time approximately five feet in diameter and sixty feet long. The patent art which is in evidence shows that on October 24, 1905, Patent No. 802,631 was issued to the great and well-known inventor, Thomas A. Edison. The patent describes apparatus for burning Portland-cement clinker. This patent describes the huge rotary cement kiln which is the machine used today in manufacturing cement.

Mr. Edison pointed out that he had discovered that the proportion of diameter to length of a rotary cement kiln should be one foot of diameter to twenty-seven feet of length, rather than the formerly accepted ratio of one to twelve. He recommended that diameters should be increased to not less than five and one-half feet. He learned by experiment and taught in his patent that the amount of the load (slurry) bears a definite relation to the internal diameter of the kiln and that "it may be considered as axiomatic in this art that the greater the load that can be carried in a kiln of a definite size, the greater will be the economy." He recommended increasing the length of kilns to one hundred and fifty feet. He did not consider it practical under then existing conditions to substantially increase this length, owing to the great expense which would thereby be involved.

Edison spoke of the dry process which differs from the wet process in that dry material, rather than wet slurry, is introduced into the kiln. Even the dry material contains considerable moisture which must be [3574] driven off. The greater ease of handling, mixing and preparing materials in the form of slurry no doubt accounts for great popularity of the wet process even though this necessitates a longer exposure to heat

to eliminate the additional moisture and, hence, requires a longer kiln.

These principles won acceptance in the cement industry, which, undaunted by the great expense involved, constructed mammoth rotary cement kilns eight, ten, twelve and fifteen feet in diameter and up to five hundred feet in length.

The slurry undergoes chemical and physical changes as it passes down the length of the kiln which makes it convenient to divide the kiln into zones in which these changes take place. The slurry is first dried in the Drying Zone, where temperatures rise to as much as 1800°F . It then passes through the Intermediate Zone, where temperatures may rise to 2400°F . In the Intermediate Zone it goes through a calcining process and then enters the Burning Zone, the maximum temperature of which is between 2600° and 2900°F . The Burning Zone in a kiln with a diameter of twelve feet is likely to be approximately 60 feet long. A short Cooling Zone follows the Burning Zone and the load, now reduced to clinker and slightly cooled, passes out of the kiln. The upper end of the kiln where the slurry is introduced is sometimes called the wet end and the other is sometimes called the hot, dry or discharge end.

The heat required is supplied by a flame which enters the discharge end. The flame usually burns powdered coal, oil or gas. Despite the simplicity of basic concept, the bulk of the machinery and the heat [3575] required introduce problems in practice. The rotating tube through which the load must pass is made of steel and lined with bricks. The steel tube is the kiln's shell and the bricks constitute part of the lining. This lawsuit is chiefly concerned with the lining of the Burning

Zone where the greatest heat is applied. Of course, a balance must be maintained which is well expressed by inventor Edison in the specifications of his patent in the following manner:

“It may be stated axiomatically that the burning of Portland-cement clinker should be characterized by the perfect combustion of the minimum relative amount of fuel in the presence of the maximum relative amount of cement material for a sufficient time to result in the complete clinkering of the latter.”

After the lining has been installed and the kiln is heated sufficiently, the slurry is introduced and when it reaches the Hot Zone, it forms a coating on the bricks several inches to even a foot or more in thickness. Mr. Edison had observed that when the cement material has reached a heat to make it somewhat plastic and sticky, it forms a coating several inches in thickness. This coating adheres to the bricks and becomes a part of the lining over which the load passes in the process of sintering and forming clinker. The surface of the coating exposed to the fire is hotter than the surface of the bricks to which the coating adheres. The coating insulates the bricks from the highest temperatures and protects them from abrasion and heat. The coating is constantly being burned [3576] or melted off and at the same time reforming to maintain a rather constant thickness. If the coating is lost in part or in its entirety, the bricks deteriorate rapidly where exposed until additional coating is acquired or the exposed lining fails and must be replaced. Sometimes a lining can be repaired by patching, but eventually every lining must be replaced.

Once a kiln is placed in operation, it is run continuously for as long as possible. Sometimes the chemical content of the slurry is changed during the operation of the kiln to meet the demands for cement of different characteristics. Such a change usually requires a modification of the operation of the kiln such as a different speed of rotation or an adjustment of the flame to change the burning temperature to achieve as nearly perfect sintering of the product as possible to make the clinker as nearly perfect as possible. Sometimes it is necessary to shut the kiln down for repairs or because raw materials are not available or because there is no immediate demand for more of its product. Changes in burning temperatures or cooling of the kiln in a shut-down will subject the lining to destructive stresses due to the expansion and contraction which accompanies such temperature changes.

While perfect sintering of a load of one chemical composition may require adjustments in the operation of a kiln which has been processing a load of a different chemical composition, the temperature required for sintering is approximately 1500° C. or 2732° F. as pointed [3577] out by Josef Berlek in the specification of Patent No. 2,148,054 which was issued to him on February 21, 1939. In the year 1905, Mr. Edison pointed out that the rate of progression of heat from the periphery to the center of a partially-clinkered ball or other mass is practically fixed and is but slightly altered by raising the temperature to which the mass is subjected and that it is necessary to allow sufficient time at the sintering temperature for the process to be complete. He further observed that by increasing the time during which the material is subjected to clinkering temperature, better results are secured, even if the

temperature is actually somewhat reduced from the temperatures which had been applied when the material was exposed for a shorter time in shorter clinkering zones than he recommended. He also observed that a slow but gradual increase in temperature of the load permits the reactions to take place slowly so that when the material reaches the combustion zone a comparatively slight increase in temperature is necessary to clinker the same. These observations have generally been borne out even though the temperatures to which he referred were lower than 2732° F. and improved chemical mixes used later required a slightly higher sintering temperature. But the temperature at which cement clinker is formed is fixed by the compositions used within known limits. Higher temperatures produce a molten mass rather than clinker. [3578]

Leopold Tschirky of General Refractories Company presented a paper before the Technical Committees of the Portland Cement Association at Bethlehem, Pennsylvania on September 19, 1944. (See Exhibit BX.) Mr. Tschirky noted that in the early days of the rotary cement kiln, temperatures rarely exceeded 2400° F. but he conducted experiments with modern materials which sintered perfectly at 2800° F., which he considered a high temperature. This is not far from the sintering temperature of 2732° F. observed by Berlek.

In Exhibit 585, which is a report to plaintiff of certain experiments conducted at plaintiff's request, an explanation of the manufacture of clinker is tendered by expert witnesses Robert H. Bogue and Ira C. Bechtold. Both were called to testify by plaintiff and explained the processing of raw materials into cement clinker. They say that at about 2350° F. the first

appearance of liquid in the material occurs. This is the temperature of the lowest melting eutectic. When materials of certain composition are together in the presence of heat, they react chemically and form a substance which melts at a temperature which is lower than the temperature which would be required to melt the individual substances when not in the presence of each other. The new substance which melts is known as eutectic. When additional heat is applied to the [3579] material forming the eutectic, the temperature of the material remains constant until all of the liquid of that eutectic composition is formed that the composition of the mixture makes possible.

Thereafter, the addition of more heat will cause the formation of a second eutectic which again remains constant during the formation of the second eutectic composition. This sequence is repeated up to the highest temperatures encountered. The process proceeds very slowly with the chemical changes which are necessary for sintering taking place in the various successive eutectics until the increase in the temperature of the load approaches 2500° to 2700°F. At that temperature an exothermic reaction commences. This is a reaction in which heat is given off from the reacting mixture, resulting in a sudden glow as the components interact and raise their internal temperatures by 200° to 400°F. The ignition temperature of the exothermic reaction must be maintained until the exothermic reaction is complete in order to complete the sinter and produce perfect clinker. During this last reaction the temperature of the sinter is considerably above the temperature of the coating which is the part of the lining supporting the load.

The way the necessary heat is supplied to the load was described by Bogue and Bechtold and other witnesses. The hot gases supply some heat to the load by radiation and convection from both the flame and the lining, the top layer of which is the coating. This radiation [3580] heats the surface of the load but the bulk of it is below the surface and receives most of its heat from the lining as the rotating kiln passes beneath the load turning it in a manner which may be likened to the mixing action of the familiar rotary cement mixer. Since the load is in the trough of the cylindrical kiln, being drawn up only slightly by the rotation, any given point of the innermost portion of the lining, the coating, is exposed to the flame from the time it passes from under the load through the rotation until it again passes under the load. During this period it takes on heat increasing in temperature as much as 400°F., but still 200° to 400°F. lower than the temperature reached in the exothermic reaction, and then surrenders it to the load as it passes beneath. So the coating of the lining contributes most of the heat acquired by the load.

It is apparent that where proper clinker has been produced, the process above described has taken place whether it was understood in those terms or not.

THE REFRACTORIES WHICH LINE THE KILN

The lining of the kiln described by Edison consisted of bricks of fire clay placed over a layer of asbestos. His purpose in employing the asbestos was to reduce radiation through the shell and offer a yielding backing for the fire bricks. Fire brick linings had a short life and the industry soon turned to other refractories, the principal composition of which was alumina. Al-

though an improvement, the search for better linings continued both by improvement of the quality of alumina refractories and by the development of a refractory brick [3581] known as a basic brick because of its chemical composition. By chemical contrast, the alumina refractory is an acid brick.

Basic bricks differ from acid bricks in certain of their physical characteristics. They are more conductive of heat, or to state it conversely, they are less insulating than acid bricks. They are more refractory than acid bricks. This means that they are more resistant to abrasion and they can successfully withstand exposure to higher temperatures. The ability to withstand exposure to higher temperatures than acid bricks in a cement kiln is partly due to the physical and partly due to the chemical characteristics of the basic brick.

Various materials which are chemically basic may be used to form basic bricks. Which material is best suited to a particular application depends upon the conditions surrounding such application or perhaps even upon individual preference. They are supplied in two forms, burned and unburned. The bricks are formed in a mold under great pressure. After being formed, they may be supplied to the cement manufacturer without further processing, in which case they are referred to as unburned. On the other hand, they may be formed and then fired before being supplied to the cement manufacturer, in which case they are known as burned brick. When unburned brick are installed in the cement kiln, the heat of the cement kiln fires the brick resulting in what is ultimately a lining of burned brick. When an unburned brick is fired it contracts or shrinks to a certain extent and after undergoing this

change, expands in response to the application of heat and contracts when the heat is withdrawn. [3582]

Whether acid or basic bricks are used depends upon the conditions which exist in any particular kiln. Acid bricks are preferred by cement manufacturers in certain applications, but the use of basic brick in the burning zone has grown until the use of this form of refractory predominates in the cement industry, although it has not entirely replaced the acid refractory.

The relatively greater expansion and contraction characteristic of basic brick presented a special problem in practice. When the refractory lining is installed in the kiln, the bricks employed may be one of various shapes and sizes, the choice of which depends upon many factors of kiln operation or even personal reference of the operator. They are also installed in various ways, but understanding of one form of construction will be sufficiently illustrative. This form of construction employs bricks placed in circumferential rings in the kiln, one ring following another until the entire shell of the burning zone is covered by bricks. The portion of the brick resting on the shell is wider than the portion facing the interior of the kiln by an amount necessary to turn the circle. The part of the brick against the shell is called the cold face and the portion facing the interior is called the hot face because it faces the fire. Each brick is therefore slightly pie-shaped and each supports the other as they are rotated.

Provision must be made for the expansion of the brick as they are heated. This is accomplished by placing a metal plate between each brick in the ring. Longitudinal expansion of the series of rings is provided for by placing combustible material between the rings.

The practice is to [3583] place a cardboard spacer on the end of each brick to separate it from the brick in the next ring. Steel plates have generally been used between the bricks in the ring. A certain number of combustible spacers are also added in the ring for expansion. The ring is tightened by driving a few additional steel plates into the ring after the bricks have been initially laid up. The use of spacer plates is as old as the use of basic refractories in rotary cement kilns. The plates are called shims.

As the kiln is heated, the combustible spacers burn out, the bricks expand and the steel plates fill the space between the brick. The plates then oxidize for a certain distance from the hot face, one to two and one-half inches. When this oxidation takes place, the oxidized portion of the shim is no longer metallic. The resulting ferrous oxide or iron oxide combines with a portion of the adjacent refractory in such a way as to weld or knit the wall into a unitary structure or monolith. The reaction which creates the material forming the weld takes place at approximately 2300° F. When the reaction is complete, this substance will not slag or melt until the temperature is increased beyond the maximum temperature encountered in cement kilns. While minute fractures in the brick occur as a consequence of expansion due to heat, the oxide bond tends to hold them in place. These effects were noted by Morlock in his Patent No. 2,125,192, which was issued July 26, 1938, and by Griffith in his Patent No. 2,192,642, issued March 5, 1940. [3584]

The formation of the iron oxide and a resultant bond between the bricks were noted by Berlek in Patent No. 2,148,054, issued February 21, 1939, and by

Heuer in Patent No. 2,154,813, issued April 18, 1939. Heuer also noted that in use, as the refractory wears away from whatever cause, more and more of the metal shim will oxidize and continue to supply the bonding action which results in a monolithic structure. The metallic portion of the shim continues to be separated from the hot face of the brick by the oxide or the material resulting from action of oxide and brick, regardless of the thickness of the lining at any particular time. This is well supported by other evidence adduced in this action, including both testimony and cross-sections of used basic linings which show the oxide bond extending from the hot face, the partially oxidized shim, and finally what remains of the metallic shim nearer the cold face.

TEACHINGS OF PATENTS RELATING TO ROTARY KILN LININGS

In 1941 two patents were issued and assigned by the inventors to General Refractories Company. One stated purpose was to restrict heat transfer from the lining to the shell while retaining the benefits of oxidizable metallic shims which result in the formation of the monolithic structure attainable through the use of basic brick and steel shims. It will be recalled that in 1905 Edison recognized the value of insulating the lining from the shell to prevent heat loss and suggested an intervening layer of asbestos between his fire clay brick and the shell. With the use of basic brick which conducts heat more rapidly than acid refractories, the greater importance of [3585] this objective is apparent. Edison valued the cushioning effect of the asbestos which would permit his fire clay brick to move.

By contrast, if the value of the monolithic structure attained by basic brick and steel shims was to be retained, the movement of the basic brick was to be avoided because movement would result in breaking the joints between the basic brick.

Heuer in Patent No. 2,230,141, issued January 28, 1941, proposed to furnish insulation for the basic brick by means of a composite brick composed of acid brick in contact with the shell supporting an attached basic brick with its hot face exposed to the fire with an attached metallic shim which would extend over one of the side faces of the basic portion of the composite article. The shim would be out of contact with the shell. Heuer explains that linings having an insulating layer of acid brick one inch to two and one-half inches thick laid against the shell over which is positioned a basic brick lining with metal shims were used successfully. In such an installation the shims would not contact the shell. These linings were of short life due to a shifting of the layers with respect to each other resulting in crushing of the softer acid brick layer and loss of lateral support for the basic brick. His composite brick avoids this hazard by furnishing solid columnar support.

Heuer states that the rotary kiln lining which is his invention is intended for cement kilns, but also for calcining kilns used in the preparation of ores, building materials and the like. Kilns used for calcining in the [3586] preparation of ores do not take on a coating as do cement kilns. The hot face of the refractory is not protected in such kilns while the hot face of a refractory in a cement kiln is protected by the coating which takes the brunt of the abrasion and the

heat. The hot face of the refractory in the cement kiln is therefore not subjected to the full heat of the kiln, while those used for calcining ores are fully exposed. Compared to the temperatures of the hot face of the refractory in a cement kiln, the temperatures endured by the coating in the same kiln are high. Moreover, the temperatures of ore calcining kilns operating without a coating are themselves very high in relation to the highest temperatures to which a cement kiln coating is subjected. An example of kilns operating at very high temperatures compared with cement kilns are kilns used in the production of magnesia which operate at temperatures as high as 3300° F. See Exhibit 73 and the top of page 5 of Exhibit 68. The evidence also indicates that the magnesite kilns at Cape May, New Jersey, operated at temperatures of 3050° F.

In Austrian Patent No. 148,268, published January 11, 1937, the temperatures in cement kilns are compared with the temperatures to which refractory linings employed in other uses are subjected. The following observation is material to the subject of very high temperatures:

“In metallurgical processes, such as steel production, where very high temperatures occur, a melting or sintering of the bonding agents between the brick, and sometimes even a slagging of the brick, takes place, producing a strong bond. The temperatures prevailing in cement [3587] kilns, however, are insufficient to produce a slagging together of the brick or a melting of the bonding agents, which explains the lower resistance of the lining.”

The bonding agents referred to were identified, including among them steel shims placed between the brick with reference to which the following comment was made:

“All these bonding agents melt or sinter at the temperatures which, for example, are reached in steel making, whereas they are not heated to melting or sintering at the temperatures which occur in cement kilns.”

Heuer states that where very high temperatures are used with his composite refractory article it may be necessary to keep the rear end of the spacer plate in contact with the metallic shell to sufficiently cool the spacer plate by conduction of heat and prevent the unoxidized rear portion from melting out. Read in context with the remainder of the specifications, the very high temperatures referred to are not those encountered in a rotary cement kiln, but those encountered in the other uses in which he proposes his composite refractory article should be employed. He is addressing himself to those skilled in the relevant art to whom it is a well known fact that the temperatures required and employed in the sintering of cement clinker are relatively fixed. The suggested composite refractory without the shim extending to the shell is a design expressly intended to be used in burning zones of cement kilns and to face their required temperatures. When the inventor, who has suggested other [3588] applications for his invention, refers to very high temperatures, he means very high temperatures in comparison to those normally encountered in cement kilns. In other words, he refers to temperatures encountered in rotary kilns used for purposes requiring very high temperatures

compared to the temperatures encountered in cement kilns.

With practically the same objectives in mind as those which motivated Heuer, Longacre proposed to construct a lining made from legged bricks which would reduce conductivity of heat to the shell by exposing less surface of the cold face of the brick to contact with the shell, and also providing space for insulating inserts, if desired. He was granted Patent No. 2,230,142 on January 28, 1941. When basic bricks of the suggested construction are used, he recommends a metal spacer plate for the same reasons that such plates had theretofore been used, but only extending toward the cold face to where the legs commenced. He notes :

‘From the standpoint of reducing heat losses, it is preferable to terminate the spacer plate . . . above the legs . . . and thus avoiding metal to metal contact between the spacer plate and the metallic shell. This has the disadvantage, however, that cooling of the spacer plate by heat conduction is restricted. For higher temperature installations, it is desirable to have metal to metal contact between the metallic spacer plate and the shell to prevent melting out of the unoxidized portion of the metallic spacer plate.” [3589]

The same observation as made with respect to Heuer’s suggestion concerning “higher temperature installations” is equally applicable to the quoted reference to higher temperature installations. It is important to note that the proposed metal to metal contact is in effect a legged shim which restricts the metal to metal contact of the plate with the shell to only a small portion of the cold face of the shim.

On February 11, 1941, a patent was granted to Geistler numbered 2,231,498. The inventor recognized the value and function of shims placed between basic bricks in rotary kilns and the resultant tendency to form a monolithic structure. However, he further observed that a solid plate oxidizes during slow heating up of the furnace at temperatures far below the melting point of the metal and that this is accompanied by an increase in volume of material between the bricks over the original thickness of the plate. This, he says, causes a considerable increase in stresses to which the bricks are subjected.

Geistler also notes that perforated iron sheets are known but that these, too, furnish sufficient expansion when oxidation occurs to subject the brick to undesirable stresses. He proposes wire mesh as a suitable solution and points out that sufficient oxidation occurs to create a monolithic structure when the kiln is heated. He claims all of the benefits of the steel plate without certain specified disadvantages. The netting oxidizes for a distance from the hot face and the rest remains practically unaffected until, as the brick becomes thinner by use, the [3590] oxidized portion works down the wire net shim toward the cold face of the brick.

It is worthy of note at this point that such a shim has no substantial metal to metal contact with the steel shell.

The argument which is made on behalf of plaintiff that Heuer '141 or Longacre '142 taught by implication or otherwise that if a conventional basic brick should be used in a rotary cement kiln, a full metal plate should be used with metal to metal contact in order to achieve or promote the oxidation of the shim from the hot face and

the accomplishment of the monolithic structure effect, is entirely fallacious. On the contrary, the teaching is that there is no need for such a shim to be in contact with the shell in a cement kiln. In making this fallacious argument, the pertinent language of the patents is not quoted in full. The purpose for extending the shim to the shell for higher temperature installations is stated in the patents to be to prevent the unoxidized rear portion from melting out. As already observed, such a purpose is inapplicable to cement kilns because temperatures high enough to melt out this portion of the shim are not achieved in rotary cement kilns.

The paper (Exhibit BX) of Mr. Tschirky of General Refractories Company, which was read in 1944 before the Technical Committees of the Portland Cement Association, pointed out that in 1939 a section of ten feet six inches long in the hottest portion of a cement kiln was lined with refractory articles which he described. From the description, this portion of the lining was composed of Longacre '142 brick with shims which stopped where the legs begin. [3591] For convenience in referring to various patents, sometimes only the last three numbers of the patent are noted. He states that this lining was found to take on protective coating just as readily as an uninsulated lining and just as good a coating. The insulated portion of the lining performed satisfactorily in every respect and had a life of 655 actual operating days, the same as the life of the uninsulated sections. The outside shell temperatures were measured in the areas carrying the insulated portion of the lining and compared with the temperatures measured on the outside shell of an uninsulated lining. The insulated lining ran on the average 100° F. cooler than the uninsulated one.

Tschirky also reported on two lining installations of what he considered an improved product. His description matched the composite article described in Heuer '141. The first did not last long, due to unrelated causes, but the second gave a good account of itself, lasting 392 actual operating days. Further development at that time was inhibited by the advent of World War II. The importance of this report is that it is a part of the literature of the cement industry, free for all concerned to evaluate. Among those who were familiar with its contents were two witnesses at this trial, Woodward of Southwestern Portland Cement Company, who saw the article between 1946 and 1948, and Bogue, who was present when the paper was originally read. Tschirky is a well respected and widely recognized authority in the refractories and cement manufacturing industries. [3592]

In 1948, Woodward saw a basic brick lining installed at Southwestern Portland Cement Company using Onival perforated shims. These shims had holes in them along the cold edge as big as a half dollar. This configuration of shim reduces the amount of metal which could conduct heat to the shell and therefore restricts the conduction of heat to the shell by the shim. This particular form of heat transfer restriction by means of the shim was commercially available and commercially used in 1948.

At this point in the development of rotary cement kilns, patents had been granted teaching that it was desirable to restrict the transfer of heat from the lining to the shell and employing shims which either did not touch the shell or were designed so that so little of the metal touched the shell that the result was practically

the same. Furthermore, there was other respectable authority for the proposition that linings so constructed were successful.

DEFENDANT KAISER'S KNOWLEDGE OF KILN LINING ART

The extent of Kaiser's knowledge in 1953 of the design, operation and lining of rotary cement kilns is evidenced by the fact that in the ten years Kaiser Aluminum and Chemical Corporation had been manufacturing refractories for the cement industry, it had achieved a substantial success and commanded a substantial portion of the market for rotary cement kiln refractories. A related Kaiser company manufactured Portland cement and its knowledge and experience were freely available to the defendant Kaiser companies. It is further evidenced by the advice which was offered to its customers in the form of instructions on the use of its products and particularly regarding the lining of rotary cement kilns with its product. [3593]

With particular reference to the issues of this case, there is evidence consisting of a Kaiser interoffice memorandum dated February 14, 1944, Exhibit BW and also marked 101, on the subject of "Changes in rotary kiln brick shapes to reduce temperature of rotary kiln shell." This memorandum commences, "Rotary kilns at the cement plant lined with milpitas brick are operating with a higher exterior shell temperature than usual. This condition is not desirable." Attached were various drawings illustrating all suggested changes from various sources available as of that date. Among other drawings is one labeled, "Heuer Patent 2,230,141," and another labeled, "Longacre Patent 2,230,142." Plaintiff argues that this drawing relative to

Heuer shows a full shim touching the shell. Since the drawing does not closely conform to any of the figures shown in the referenced patent, it is impossible to tell whether it was intended to indicate a full shim or one which extended only to the insulating portion of the Heuer composite article. Suffice it to say that the memorandum indicates that Kaiser personnel examined both of the patents referred to concerning a solution to the problem at hand.

In the early months of 1953, Miss Lloyd, a patent agent and full-time employee of Kaiser, studied both of these patents in preparation of the Wilkins patent which was filed March 27, 1953. Persons skilled in the art and patent attorneys skilled in the examination of patents and charged with the duty of reviewing and preparing patents in the same field could hardly overlook or fail to understand the teachings and significance of these patents, including: [3594]

1. That it was desirable to restrict the transfer of heat to the shell, a fact already recognized independently;
2. That a shim extending to the shell was not necessary for successful operation; and
3. That leaving a space between the shim and the shell would aid in inhibiting such transfer of heat to the shell.

THE FUNCTION OF METAL SHIMS

In 1953 Kaiser had not tried to install a lining with a shim which did not have contact with the shell. It had the teachings of the Heuer and Longacre patents, but no experience or demonstration as to the validity of the teachings. Neither did the plaintiff.

Kaiser's practice at this time was to offer written kiln construction advice to its customers. The drawings accompanying the text showed full shims placed between each brick in the ring and resting against the shell. Kaiser's salesmen would sometimes be present and offer similar advice. There is no doubt but that a lining constructed as suggested would result in full shims with their cold edges in metal to metal contact with the shell.

Some of Kaiser's personnel told customers that there was an advantage to having the shims rest upon the shell in that the shim would drain heat from the hot face of the brick, thereby cooling the hot face and that this aided in obtaining and retaining the coating, or at least that longer kiln lining life was promoted by conduction of heat through the shims to the shell. Although the term is somewhat misleading, this idea has been referred to in this lawsuit as "cooling the coating." Witnesses from plaintiff's [3595] organization told of discussing this concept. None of the Kaiser literature which was distributed to customers contained any reference to this theory by the term, "cooling the coating," or otherwise.

The cooling the coating idea may have had its origin with the use of alumina refractories. In the presence of heat and the materials which are to be formed into cement clinkers, which materials are basic in character, alumina refractories are fluxed and a slag is formed on the hot face of the alumina brick at temperatures below those required for sintering the material. When this occurs a coating commences to form and as it grows in thickness, it protects the hot face of the refractory from the heat of the furnace to the extent

that the temperature at the hot face of the brick is lower than the temperature required to cause slagging. If the temperatures of the kiln subsequently rise to the point where the heat which penetrates the coating is sufficient to again cause slagging at the hot face of the brick, the bond between the brick and the coating weakens by becoming liquified and there is danger of losing the coating. It is then necessary to reduce the temperature and cool the coating to bring a stop to the slagging by reducing the temperature at the juncture of coating and hot face of the brick to prevent the coating from slipping off. If the temperature is not reduced, slagging will continue until the bricks become so thin that they are cooled by loss of heat through the shell, stopping the slagging and permitting a coating to reform. [3596]

Basic brick are not fluxed by the cement material sufficiently to slag at even the highest temperatures employed in a cement kiln. The coating is formed anyway, sometimes aided by the presence or application of iron or iron particles or iron oxide, which in the presence of heat causes a sticky substance to appear on the hot face of the basic brick and promote formation of a coating. As soon as the coating forms, it provides insulation. The point of junction between the coating and the hot face of the refractory is cooler than the surface of the coating due to the insulating feature of the coating itself. While there is no danger of slagging the basic refractory at temperatures attained in a cement kiln, it has been asserted that the sticky substance which originally caused the cement material to adhere to the brick to commence the formation of a coating might again liquefy and cause loss of the lining. The evidence indicates that this substance

may be a liquefied form of iron oxide or eutectic formed by the cement materials during the clinkering process.

Basic brick may lose their coating, but generally from causes such as severe fracturing of the hot face of the brick and spalling, a dropping away of the fractured particles, which weakens or destroys the bond between the coating and brick. Some fracturing of the brick always occurs under normal conditions, but at an acceptable rate, permitting the particles to be absorbed into the coating without endangering the bond between the brick and the coating. Fracturing of the hot face is caused by the pressures and stresses which occur as the bricks expand against each other. As already explained, avoidance of spalling is attempted by the use of iron shims which oxidize [3597] and form a substance which binds the bricks together and prevents the fractured particles from falling or crumbling away.

After the shim has oxidized for some distance (two inches, for example) down from the hot face, the greater conductivity of metal as compared with refractory is not available at the hot face of the brick where the lining attaches. It therefore seems that the remaining metallic shim acquires its heat from the adjacent refractory bricks and what heat is transferred to the shell by metal-to-metal contact between shim and shell and lost by radiation has come from an area of the bricks substantially below the point of junction between the coating and the hot face of the bricks. This would serve to cool the bricks in general rather than the hot face in particular. The heat loss would represent a lack of efficiency in the insulation of the total basic refractory lining.

Shims are not generally used with alumina brick for many complex reasons, the simplest of which is that the monolithic bonding effect does not occur due to the chemistry of such a refractory.

Mr. Woodward, Superintendent of Southwestern Portland Cement Company at Victorville, California, had in mind that the thermal conductivity of a lining which results in radiating heat to the shell is a composite thing consisting of thermal conductivity of the brick and the conductivity of the shim which touches the shell. He testified that when his company was using the full flat shim which touched the shell, the theory was advanced by a number of people that such conductivity served a useful purpose. The hot face of the brick would be cooler and this would have a favorable influence upon the life of the [3598] lining. This theory was discussed with nearly every salesman who called upon them. He explained that there are quite a number of things that happen in the kiln that no one for sure quite understands. The theory referred to was one of the prevalent theories.

Mr. Oberg, the General Superintendent of Operations at Monolith, testified that at the time that the first Kaiser basic lining was installed at Monolith in 1947, he understood that the full shim would serve two functions; one would be to fuse the brick and the other to conduct heat to the shell to promote the formation and solidification of the eutectic elements of the clinker and thereby provide the initial requirements for building up the coating. This was a positive heat transfer function. He had an understanding that heat was being dissipated through the full shims to the shell and he discussed this with Mr. Petersen of Kaiser. The in-

creased temperature of the shell caused maintenance, lubrication and repair problems and a great deal more fuel had to be used due to heat loss, but the economics of using basic brick was demonstrated by longer lining life.

Mr. Oberg testified that it is his opinion that the shim does serve the purpose of draining heat from the hot face for the purpose indicated above. He further testified that what Mr. Petersen told him differed not a bit in any material respect from what he had heard or formed an opinion about with respect to basic refractories.

Because of the limited opportunity for direct observation, much of the existing knowledge about what occurs in an operating cement kiln has been acquired through experience of actual operation and due to the multitude of variables, it is difficult at best to pinpoint the source [3599] of trouble or improvement or establish specific causes and effects. Accordingly, it cannot be said that the evidence has wholly discredited the idea that having the shims touch the shell performs a useful purpose, but the term, "cooling the coating," is a misfit.

Radiation of heat through the shell might prolong lining life by reducing spalling, for example. One of Kaiser's salesmen reported that good results in terms of acquiring and retaining a heavy coating and long lining life were experienced by an operator who cooled the shell by water spray, thereby increasing radiation through the shell. Since clinkering occurs at a more or less fixed temperature, any lowering of lining temperature occurs between the hot face of the coating and the shell. If this serves to prolong lining life, it also

of necessity serves to increase the quantity of fuel consumed, and, therefore, the cost of fuel. So an economic balance must be struck between the cost of the lining and the cost of fuel and the amount of permissible or desirable radiation of heat through the shell depends upon what amount will result in production of clinker for the least money.

In a memorandum prepared by Lloyd Rentsch of Monolith on July 5, 1955, and referring to George C. Davis, Technical Sales Manager for Kaiser, Rentsch recites, "Mr. Davis further stated that some brick coatings were improved by radiating more heat away from the hot face than normally, and some brick coatings were improved by [3600] radiating less heat away from the hot face." It is also well established that Kaiser and Monolith and other cement manufacturers thoroughly understood that the shim transferred a substantial amount of heat to the shell of the kiln.

Despite the explanations which have been given concerning the operation of a rotary cement kiln and the function of its lining, it seems generally conceded that much of what transpires in the process is still somewhat of a mystery. Plaintiff correctly says that the reason for the industry's dissatisfaction with the conventional full flat shims was that these shims oxidized and the oxide occupied more space than the shim and thus exerted pressure and strain upon the brick in the lining, which also expanded as heat was applied.

The inventions relating to the configuration of the shim concerned themselves largely with providing a shim which would hold the lining tight under all conditions of operation without exerting more than enough pressure for this purpose. They were generally not con-

cerned with the heat transfer characteristics of the shim. On the other hand, none of those who were occupied with solving the problems of cement kiln construction employing basic brick taught that it was necessary to bring the shim into metal to metal contact with the shell. [3601]

On the contrary, it appears that they considered this immaterial, or whenever the matter of conduction of heat to the shell was recognized as worthy of note, they taught that the shim need not contact the shell in a cement kiln, as for example, Heuer '141 and Longacre '142. Longacre observed:

“From the standpoint of reducing heat losses, it is preferable to terminate the spacer plate at 37 above the legs as shown in figures 3 and 5, thus avoiding metal to metal contact between the spacer plate and the metallic shell.”

The fact that a flat metal spacer plate was inexpensive to manufacture and convenient to install undoubtedly dictated its use. As far as Kaiser was concerned, the cost and complications of manufacturing exotic brick shapes inhibited their use. It is inconceivable that the Kaiser personnel, who were engaged in refractory research and who devised and provided the formulas and prescribed the methods for refractory manufacture and tested the product, were unacquainted with its characteristics as compared with alumina refractories as described above. The Kaiser advertising and literature sent to customers indicate their complete understanding of these matters. They were also aware that an overheated kiln shell was undesirable. They correctly reasoned that the brick itself, being less insulating than alumina brick, was the major fac-

tor in the increased temperature of the shell. They assumed in approaching this problem in 1944 that the shim in contact with the metal shell would transmit the same [3602] amount of heat under all operating conditions. While this assumption may have been correct, its recitation did not invite investigation as to the extent the shim in contact with the metal shell contributed to the excessively hot shells which were being experienced. But Dr. Austin of the Kaiser Milpitas laboratory in 1951 or 1952 expressed his opinion that a full shim increased radiation to the shell. Since that time and up to 1953, there is no indication that Kaiser had tried to alter this factor in the problem of overheated shells.

THE AUGUST 27, 1953, JOHNSON-PUTNAM TELEPHONE CONVERSATION

On August 27, 1953, Alan Johnson, who was the Assistant Superintendent of the Monolith Portland Cement Company at Monolith, California, telephoned to Putnam of Kaiser. Johnson told Putnam that he had been to plaintiff's cement plant at Laramie, Wyoming, to assist in the replacement of a lining of Kaiser brick in the kiln. Putnam prepared an interoffice memorandum addressed to George C. Davis, Jr., reporting the conversation (Exhibit 106). The portion material to this discussion reads as follows:

"The Plant Superintendent, Hank Anderson, according to Alan Johnson, is becoming concerned over the loss in production caused by the additional heat loss due to the increased thermal conductivity above a 70% alumina brick. He contends that he is losing between 100 and 200 barrels of clinker per day as a result of this heat loss. This

is the first time that we have had heat loss interpreted into terms of lost production. As a general rule it has been described in terms of increased fuel consumption. For this reason they are interested in the [3603] possibility of using an installation (sic) material behind the brick and have requested our advice.

“A second approach to alleviating this heat loss condition was suggested by them. They feel that, quite possibly, a good proportion of the heat is transmitted from the hot face to the cold face by the steel shims used. They thought that, perhaps, this could be corrected by leaving two inches between the end of the steel shim and the shell. It is conceivable that this might help, but I, for one, cannot understand how they could install their brick correctly with this gap at the back end of the brick. I can visualize all sorts of things going wrong. Any expression of how to correct or assist in the correction of this particular problem will be appreciated.”

Johnson made a report dated August 23, 1953, of his assignment to Laramie to Mr. Oberg, the then General Superintendent. He reported a long conversation with Anderson regarding the Laramie kiln. He pointed out that the conditions there are much different from those at Monolith. Outside temperatures ranging down to 20° below zero in the winter months may have some effect on the kiln operation in many ways. Anderson was pleased with the increased lining life, but thought that the heat transfer through the brick may contribute to a kiln production loss of 100 barrels a day or more as compared to alumina brick. With further ref-

erence to Anderson, Johnson reported, "It is his suggestion that a Permanente (Kaiser) lining be installed leaving a two-inch space from the kiln shell which may cut down some of the radiation. It is my opinion that [3604] we should try this. It may cut down the radiant heat and should not affect the life of the lining even if it does not have the desired effect." The report was written before the phone call to Putnam of Kaiser.

While some of Kaiser's personnel and some of plaintiff's personnel subscribed to the idea that the transmission and dissipation of heat by means of the shim was beneficial to the extent heretofore indicated, neither of the parties entertained the thought that a functional lining of basic brick could not be constructed without leaving the shims in contact with the shell. This is evident from the fact that neither Johnson nor Putnam discounted Anderson's thought that the radiation of heat through the shell might be reduced by leaving a two-inch space between the cold face of the shim and the shell. Putnam's doubts, as expressed in his memorandum and to Johnson on the telephone, which were the subject of extended testimony by Johnson, centered around the proper installation of such a lining.

Johnson had used Kaiser basic brick in the kilns at Monolith for some time and was enthusiastic about their performance. Since the first basic brick lining was installed at Monolith in 1947, Mr. Oberg was of the opinion that the full shim conducted heat to the shell and that this served a useful purpose. On the same subject, Johnson testified that Palmer Ford thought that longer lining life would be promoted by the thermal conductivity of the shims. Nevertheless,

Johnson recommended to Oberg that Monolith should try installing a lining leaving a two-inch space, observing, "It may cut down the radiant heat and should not [3605] affect the life of a lining even if it does not have the desired effect." The desired effect was an increase in production.

Subsequently, in September, Anderson addressed four questions to Olive of Kaiser concerning Kaiser's recommendations for installing a lining which included full shims. He asked about the function of such shims. Olive's on-the-spot reply, as well as a more formal reply by letter from Kaiser, never suggested that the supposed heat transfer function of the shims was desirable, much less necessary.

Johnson testified at great length at the trial concerning the conversation, principally adding that he had suggested that the means of accomplishing the objective of leaving the two-inch space would be to bend two inches of the standard shim over the hot face. He also stated that he mentioned Anderson's idea of circumferential shims to be placed between the rings of brick at right angles to the axis of the kiln and that on this subject they didn't have much conversation. The Court believes that it is more likely that there was no mention of this idea because it represents a radical departure from the then current practice which could hardly be overlooked by Putnam in reporting the conversation to Davis. All elements and testimony considered, the memorandum written by Putnam concerning the conversation between Johnson and Putnam is reliable. [3606]

In the conversation Johnson is reporting the contention of Williams that the radiation of heat from

the shell as compared with the heat radiated by a shell lined with alumina brick is causing a loss of production of 100 to 200 barrels of clinker per day. The Laramie kiln production records (Exhibit 1032), which were not available to Kaiser prior to discovery, showed that the daily average production of clinker using alumina brick was 2,600 barrels in 1950 and 2,668 barrels in 1951. This, when compared with the daily average production using basic brick, which was 2,566 barrels in 1952 and 2,468 barrels in 1953, shows the basis for Anderson's estimate. Anderson had observed the excessively hot shell and contended that the difference was due to the radiation or loss of heat through the shell. He wanted to correct the condition and Johnson asked Kaiser's advice. According to Johnson's testimony, Putnam didn't have much comment regarding the matter of loss of production due to the radiation of heat, except that he didn't know how it could lose production, although it might lose B.T.U.'s.

Kaiser had long known that the use of basic brick caused undesirably hot kiln shells, and consequently, loss of heat. Putnam observed that equating heat loss in terms of lost production was a novel way of expressing the cost of the loss which theretofore had been expressed in terms of increased fuel consumption. This was a foreceful expression which was probably more appealing than equating this undesirable condition with the cost of some extra fuel. The expression itself is not a trade secret. Whether the restriction of heat loss would account for the difference [3607] in the production rates experienced was unknown to Anderson at the time. That it would, was simply a contention without demonstration of any kind.

Johnson suggested two possible solutions to the problem, one providing insulation material between the cold face of the basic brick and the shell, and the other leaving a two-inch space between the cold edge of the shim and the shell. Both of these suggestions emanated from Anderson at Laramie. Johnson wanted Kaiser's advice on the suggestions and any expression of how to correct or assist in the correction of alleviating the heat loss. The telephone call contained both a speculation as to the effect of the heat loss and a question as to how it might be avoided. Plaintiff characterizes this as a confidential disclosure of a trade secret or of valuable information possessed by the plaintiff.

DISCLOSURES MADE BY JOHNSON TO PUTNAM ON AUGUST 27, 1953.

Plaintiff contends that at least the following concepts were disclosed to Kaiser by this call:

“(1) That Anderson believed that *shortshimming would work* in the high temperature burning zone of a rotary kiln; and

“(2) That radiation caused by the conventional full shims, necessarily used with basic brick, directly affected the production of the kiln (rather than merely increasing fuel consumption) and was to be avoided.”

It must be observed that both points are actually Anderson's belief because so far as plaintiff and Anderson were concerned, both lacked demonstration. [3608]

The disclosure that it was Anderson's belief that such a lining would work rises no higher than the disclosures of Heuer '141 and Longacre '142, which patents disclosed to Kaiser that the inventors believed that

such a lining would work. In fact, both of the patents mentioned rose to a higher degree of disclosure. Heuer '141 makes the following disclosure:

“More recently success was had in employing nonacid refractory brick, particularly magnesite (magnesia) brick, in the burning zone. This zone was then insulated by inserting between the non-acid refractory brick lining and the kiln shell, a separate course of insulating bricks of perhaps 1 inch to 2½ inches in thickness.

“This arrangement of an inner refractory lining and a separate heat insulating brick layer has caused difficulty through short life of the lining. Study of the problem by the present inventor indicates that a major factor in such reduced lining life is slight lateral shift between the inner annulus or layer of refractory brick and the outwardly adjoining annulus or layer of heat insulating brick. In many cases the heat insulating brick do not conform exactly to the dimensions of the outer surfaces of the refractory brick, even when the lining is originally installed, so that an individual refractory brick may be backed up in part by one insulating brick and in part by another, or even conceivably in part by four different insulating bricks.” [3609]

There follows a further explanation and analysis of the cause of the short life experienced. Those skilled in the art would recognize that shims between the nonacid or basic brick would be employed in the usual manner and that if the “separate course of insulating bricks does not conform exactly to the dimensions of the outer surfaces of the refractory brick . . . so that an individual

refractory brick may be backed up in part . . . by four different insulating bricks," the shims obviously would not go to the shell and the result would be a short-shimmed lining.

Longacre '142 discloses:

"Nonacid brick such as magnesite brick have been recently installed in rotary kilns, thus raising the permissible operating temperature at the hot face. With such magnesite brick in the refractory lining, the burning zone has been insulated by inserting, between the lining and the shell of the kiln, an annular course of insulating brick ranging from one inch to two and a half inches in thickness, and suitably consisting of asbestos or the like.

"Such insulating linings were quick to fail, apparently due to the shifting of the relative positions of refractory bricks in the lining with respect to individual bricks in the heat insulating layer. With each rotation of the kiln, an individual brick in the lining passes through a condition of no load, to a condition of maximum load under which it is bearing the load of the [3610] charge and the lining. Relative shifting of the refractory lining and heat insulating layer has produced unevenness in the base of support for the cold face of the brick in the refractory lining. Thus at one time the individual brick in the refractory lining may be supported fully and evenly on an individual heat insulating brick, whereas at another time the cold face of the refractory brick may be opposite a junction of two or of four heat insulating bricks, with almost inevitable uneven support."

This is followed by further explanation and analysis of failure. Those skilled in the art would recognize such a lining as a short-shimmed lining.

By the time of these inventions, the advantages and use of metal plates or shims between the brick in basic brick installations was so universally known and practiced that those skilled in the art would accept as of course the use of such plates in any application of basic brick in a cement kiln. That such insulated linings were cement kiln linings is apparent, particularly from the patent's previous discussion of the problem of unsuccessful attempts to insulate alumina linings in which cases it was observed that "the insulation increased the temperature of the working face of such brick beyond the point which the brick could stand when in contact with lime and other fluxes present in the charge," thus identifying the materials used to make cement. The same language appears in both patents. Heuer and Longacre taught that short shims were desirable to prevent loss of heat as noted earlier in this memorandum and that a lining so constructed would work and had worked. [3611]

An evaluation of these disclosures leaves open to question only the experience, powers of observation and veracity of the inventors.

The second point which the plaintiff claims was disclosed to Kaiser in the Johnson-Putnam conversation is Anderson's speculation that the heat loss directly affected production of the kiln and was to be avoided. That heat loss was to be avoided was already known to Kaiser and whether the production would be affected beyond influencing the amount of fuel required was at that time probably not even the subject of speculation.

The claim was later made by plaintiff that an increase in production out of proportion to the amount of heat consumed by short shims was experienced and that this was an entirely unexpected result.

The Johnson-Putnam conversation postulated a suggestion, "that, quite possibly, a good proportion of the heat is transmitted from the hot face to the cold face by the steel shims used" and, "that, perhaps, this could be corrected by leaving two inches between the end of the shim and the shell." The plaintiff would have the Court construe this as a disclosure that a good portion of the heat radiated by the shell is transferred to the shell by the shim. As already pointed out, this fact was well known and recognized by Kaiser, the plaintiff and others in the industry. Anderson's opinion that by providing the two-inch space the heat loss could be avoided is all that is left. Since the metal to metal contact of shim and shell was known to serve the function of transmitting or dissipating heat, it is obvious that the absence of such contact would inhibit the transfer of that heat. [3612]

As early as February 14, 1944, Kaiser had been asked, assuming that the heat transmitted by the shims is constant under all operating conditions, what can be done to reduce shell temperature. The answer was to reduce the area of contact between the brick and the shell. In effect, this time Johnson posed the question conversely. Assuming that the heat transmitted by the brick is constant under all operating conditions and that a substantial amount of the heat of the shell is transmitted by the shims, what can be done to reduce the shell temperature? The answer comes readily to mind. Reduce the amount of contact between the shim and the shell. In both instances the feasibility of the an-

swer depends upon finding an acceptably workable means for accomplishing the result.

Putnam questioned the feasibility of a two-inch space being left and could imagine all kinds of problems and not without obvious reason. In installation, the space could result in cocking the bricks so that their side faces between which the shim is placed would not be radially oriented, compounding a common problem in any installation, or cause them to creep or step since there would be an absence of shim to line them up. Putnam, according to Johnson, said that he was not concerned with how the shims were held up, he was concerned with how to lay them. Furthermore, as the bricks wore thin, the presence of the oxidizable metal to form the monolithic bond would be absent and earlier failure might be anticipated. Even if Johnson suggested to Putnam a means of accomplishing the objective, [3613] this was not passed on by Putnam to Davis, Nevertheless, the same means of spacing the shim during installation readily occurred to Davis, who suggested bending a part of the standard shim over the hot face. When the same objective occurred to others, both before and after the Putnam-Johnson conversation, the same means of shortening the shim quickly suggested itself.

Plaintiff concedes, in fact argues, and the Court agrees, that this is a simple expedient which would be an obvious mechanical solution. The fact that more heat is transferred by a metal to metal contact than when a space separates one piece of metal from another is conceded to be well known.

In processing the Anderson patent in suit, plaintiff made the following representation to the examiner:

“No prior patent is needed to tell a person of ordinary skill in the art that shims spaced from the shell of a kiln will transfer less heat to the shell than shims disposed in direct contact with the shell. This is an elementary principle of physics.”

It must be recognized that in any invention or in any new concept involving physical laws, a sufficient subdivision of the steps constituting the rationale reduces it to easily recognizable steps which lead obviously to the ultimate conclusion. On the other hand, recognition of the total conception may not have been obvious in the first place. It may constitute invention and even if not invention, its employment by a manufacturer or processor may constitute a trade secret. [3614]

Two weeks after the Johnson-Putnam telephone call, Davis replied to Putnam's memorandum by interoffice memorandum of September 10, 1953, containing, among other things, the following:

“With regard to the heat loss problem, this same question was recently raised in a different way by Cebu Portland Cement and we were forced to tell them that we would not recommend insulation. From what I can pick up here and there, the only solution is to get a darn good coating on the lining and keep it during its entire life.

“The idea of using a space between the cold end of the steel plate and the shell has been raised before. I believe this might be accomplished fairly simply by bending over a one or two-inch tab on our regular plate for this job. If they would like to try it, we would furnish these special plates at no extra charge, for the experiment.”

The first paragraph quoted above relates to insulation behind the brick. Some reasons for not recommending it have already been mentioned. The second paragraph relates to a different subject, the idea of spacing the shims from the shell and indicates that the idea was not new to Davis or Kaiser. [3615]

Longacre's invention concerned a basic brick with legs. Heuer's invention was a basic brick backed up by an attached insulating portion. Both inventors recommended a short shim to reduce heat losses. Both recited that there had been successful earlier use of basic brick installed over a layer of insulating brick. In none of these installations did the shims touch the shell. The fact that Anderson's belief coincided with Longacre and Heuer's added nothing to Kaiser's knowledge of the art of kiln construction and did not constitute information of value to Kaiser.

That loss of heat through radiation affected production in any way other than to increase fuel consumption was not known to either party. As will subsequently appear, plaintiff contends that it discovered, quite unexpectedly, when employing short radial shims, that they dramatically increased daily production out of all proportion to the conservation of heat and fuel. Whether the short shims caused a production increase is an issue. The inconsistency between experiencing unexpected results which were assertedly forecast by Anderson cannot escape observation.

The question is whether in the light of the knowledge already possessed by Kaiser, did the telephone con-

versation constitute a disclosure to Kaiser of either a trade secret of plaintiff or of valuable information possessed by plaintiff which was unknown to Kaiser at that time. The Court's conclusion is that it did not. By raising the question as to whether an installation with shims two inches short would be worth the trouble, [3616] Johnson did not communicate a trade secret. At most he stimulated inquiry into the matter.

Kaiser pursued the inquiry on its own and ultimately produced the Unitab. The short shim used by Kaiser solved the problems of installation by running the shim close to the shell leaving a space varying from three-eighths of an inch to three-quarters of an inch. Such a shim obviated the problems of installation and furnished sufficient metal to supply the monolithic welding together of the brick until the lining would become so thin that it failed for other reasons. Whether other information was obtained from plaintiff which enabled Kaiser to develop the Unitab will be discussed. But what Johnson told Putnam did not supply the information which Kaiser did not yet have, whether a short-shimmed installation would be worth the trouble. If the answer should come to Kaiser or someone other than plaintiff, Kaiser could not be accused of having appropriated a trade secret or valuable information belonging to plaintiff. Plaintiff had no exclusive legally protectible interest in the pursuit of an answer to a question of common interest.

There is an independent reason why plaintiff's claim with respect to the August 27, 1953, Johnson-Putnam telephone conversation cannot be sustained. The telephone conversation was not confidential. [3617]

THE JOHNSON-PUTNAM CONVERSATION WAS NOT CONFIDENTIAL

Plaintiff contends that a confidential relationship existed between plaintiff and Kaiser by reason of the relationship between Kaiser as the supplier of refractories and plaintiff as the user. A great deal of evidence was adduced on this subject which is, in final analysis, only inferentially contradictory. It is well established by the overwhelming weight of the evidence that Kaiser had a policy of free exchange of information which could lead to the improvement of rotary cement kiln linings and plaintiff was well acquainted with this policy and took advantage of it.

When Monolith first started to use Kaiser products, there were no written instructions available concerning the proper method of constructing a lining. Monolith had such instructions prepared for its own use and gave a copy to Kaiser, knowing that they would be used by Kaiser salesmen to promote the sale of Kaiser brick. These instructions were the product of Monolith's experience in the use of Kaiser's basic refractories. This was done in 1947 or shortly thereafter. These instructions were revised from time to time by Kaiser and published in booklet form to be freely given to any cement manufacturer desiring to use Kaiser's products.

Monolith's expectation was that the information it gave to Kaiser would result in an improvement of the product which would redound to the benefit of Monolith and, incidentally, benefit other users. Monolith had no secrets as far as the use and installation of Kaiser basic brick so far as Kaiser was concerned and everything that [3618] Monolith learned about it was given

to Kaiser. Monolith people thought that keeping Kaiser as well informed as they could would serve Monolith's purpose well. Monolith didn't expect that Kaiser would make one refractory for Monolith and another for someone else. There was never a time when Monolith told Kaiser that Kaiser was not free to use such information by incorporating it into their refractories sold to other people.

Monolith and plaintiff made their records of kiln lining construction and life available to Kaiser. On the other hand, production records were never made available and Kaiser was not expected to pass on specific information as to the construction and life of kiln linings identifying Monolith by name. There was no evidence that this was done. Kaiser advertised that "one of our customers," without naming the customer, had a specified experience with Kaiser's products, without objection from anyone so far as the record shows. Monolith and plaintiff's personnel discussed their problems and ideas with Kaiser and sought Kaiser's advice which they knew would represent a composite of information obtained from other customers and evaluated by Kaiser. Kaiser was a clearing house for information concerning refractory use which information was obtained in large part from its customers.

Any time that information was characterized as confidential, Kaiser kept the confidence. Kaiser also exercised a discreet judgment, as did other refractory manufacturers, as to the difference between general information which could be made available to the industry and special information affecting the competitive advantage of a particular customer over its business rivals. [3619]

An elaborate effort was made to demonstrate that plaintiff and Monolith and other cement manufacturers took security measures to keep their secrets. These consisted of requiring visitors to obtain permission to enter the premises, sometimes to obtain a pass or to wear a badge or a hard hat which might be of a special color which would identify them as visitors. They were usually escorted. Most of these measures were as much designed to prevent accidents as to provide security. Visitors from rival cement plants were sometimes admitted and were shown what they requested to see. Of course, they exercised restraint, not requesting to see production records or financial information. Kaiser salesmen were frequent and familiar visitors who knew their way around and were accorded greater freedom of access. However, they did not have free access to records which went beyond information which could be reasonably related to aiding them in the production of better refractories or to furnishing suggestions concerning their most economical use.

There was nothing about the August 27, 1953, telephone call which expressly or impliedly indicated that the conversation was to be considered confidential or that Kaiser was not expected to consult its reservoir of knowledge or sources of information with respect to the subject or for that matter not come up with a suitably improved refractory, not just for Monolith, but for every customer. With respect to the problem of radiation from the shell, Putnam reported to Davis, "Any expression of how to correct or assist in the correction of this problem will be appreciated." [3620]

Indicative of the relationship between the parties at about this time, in fact, after the conversation on Sep-

tember 14, 1953, is the fact that Anderson asked Kaiser's representative, Olive, four specific questions. These were passed on to the Kaiser sales office and were answered by Putnam in a letter dated November 19, 1953, addressed to Anderson. The introductory paragraph, apologizing for a delay in response, read in part, "It was our desire that our response be, not only our opinion, but the opinion of other operators throughout the country." Some doubt exists as to whether this letter reached Anderson promptly. In any event he had a copy shortly after January 12, 1954. No exception was taken to such a procedure on any ground.

Finally, the intent of the parties is material to the issue. This is reflected in Johnson's testimony, as follows:

"Q. When you commenced your conversation with Mr. Putnam in August of 1953, did you say that what you were telling him was to be confidential?

A. No.

Q. Did you assume that it was?

A. Did I assume that it was confidential?

Q. Yes.

A. No."

Plaintiff makes one further contention that this telephone conversation was confidential, relying upon a letter from Kaiser written at a much later time. Taken in its proper context, the letter did not refer to the telephone conversation, as will be pointed out later.
[3621]

THE RADIAL SHIM DEVELOPMENT AT LARAMIE

On September 14, 1953, Olive of Kaiser went to Laramie and stayed two days, during which time he talked to Anderson. Olive reported the visit to Kaiser. He listed four questions asked by Anderson, which have previously been mentioned, among them, why Kaiser doesn't use steel shims between the rings rather than in the ring. He included two sketches of what is variously referred to as a circumferential, radial, circular, transverse, arcuate or segmental shim. It is sometimes said that the conventional placement of shims between the brick in the ring is a radial placement of such shims, but the shims are referred to as longitudinal shims because they are parallel to the axis of the kiln. They are never referred to as radial shims. Radial shims are positioned at right angles to the axis of the kiln. All of these expressions refer to a steel plate shim shaped to fit the curved cross-section of the kiln and wide enough to extend from the hot face of the brick to the shell or a part of this distance. He sketched such a shim thirty inches long and added that Anderson was going to put the next lining in with such shims, "unless we can give him some very good reasons why he shouldn't." There was no reference to spacing such a shim out of contact with the steel shell, nor is such a space evident from his sketches. It was this report which elicited the letter of November 19, 1953, from Putnam of Kaiser to Anderson, answering the four questions after consulting others.

Oberg testified that he discussed a proposed lining for the Laramie kiln with Ford of Kaiser sometime [3622] after September 18, 1953. He said that he de-

scribed a segmental shim which would be spaced from the shell an inch and a half to two inches, and that he told Ford that Monolith wanted to get Ford and Kaiser's opinion as to the feasibility of such an installation and that Ford said that he found it quite interesting.

Oberg said that he had several other discussions with Ford prior to the installation of the proposed lining and mentioned having Kaiser furnish circumferential shims. There is no confirmation of such conferences by Ford by way of a report, or otherwise. In November, 1953, the Kaiser production people produced a sketch and cost estimate of a shim similar to the sketch Olive had included with his September 15th report, but modified for economy of production and designed to rest on the shell.

Late in 1953 and during 1954, Ford of Kaiser had several conversations with plaintiff's Anderson. All of these conversations concerned Anderson's conception of the radial shim which was to be placed between the rings of brick. The parties to these discussions did not consider or treat these conversations as confidential. Anderson testified that he didn't recall discussing any processes or devices or structures or operating procedures of the cement kiln which could be considered trade secrets which he would not reveal to the general public. Ford testified that no one at Monolith ever told him that spacing was a Monolith idea or that any trade secret [3623] was being disclosed to him.

On January 15, 1954, Ford called on Oberg at Monolith and made a report of the call, saying that Oberg asked again about Kaiser's recommendations re-

garding the 30" x 7½" special steel shims fabricated by Laramie. Oberg told him that Laramie had purchased \$900.00 worth of such shims and would use them if Kaiser would go along with the experiment. But by letter dated January 14, 1954, Oberg had already instructed Laramie to install the radial shims so as to space them from the shell. Oberg testified that no meaningful advice was ever received from Kaiser on the subject of using the radial shims.

THE JANUARY 1954 LINING AT LARAMIE

On January 16, 1954, a twenty-two foot section of the burning zone of the Laramie kiln was lined, using the radial shims. The kiln was fired up on January 24, 1954. No Kaiser personnel were present during the installation or start up of the kiln. In a March 3, 1954, call report, Ford reported to Kaiser that Johnson said that "the short steel shim installation" at Laramie appears to have increased clinker production 100 barrels per day. Johnson testified that it was his [3624] opinion that it was too early to tell whether there had been any increase in production, but that everybody concerned was so optimistic that he passed on the optimistic opinion anyway. According to the testimony of Oberg and Johnson, both of them talked to Ford about the Laramie lining. Johnson pointed out that Oberg was quite worried about the durability because it was an experimental lining which Oberg approved and it would have to last a number of months to justify the expense. On April 30, 1954, plaintiff's plant engineer advised Olive of Kaiser by letter that a substitution of circumferential shims for the standard Kaiser shim was desired.

On May 4, 1954, Olive called at Laramie and made a report to Kaiser, stating that he had been requested to get a quotation on circumferential shims to be 7" wide "so that they will be sure they do not touch the shell." He also reported that the January Laramie installation was "put in using steel shims on all 4 sides of the brick." The requested quotation was furnished by letter dated May 19, 1954, and this resulted in a purchase order being issued to Kaiser and the shims were shipped July 26, 1954. [3625]

On May 28, 1954, Kaiser Sales Engineer R. L. Petersen, commenting on Olive's May 4, 1954, call report, asked Davis why Laramie wanted to be sure that the shims would not touch the shell. Davis replied on June 2, 1954, saying that he was sure that the reason was that so much steel in the lining (referring to steel on all four sides of the brick) would cause the shell to overheat if there were direct contact between the shims and the shell and said to Petersen, "Let's have your reasons why they shouldn't touch the shell."

Petersen replied to Davis on June 14, 1954, as though he had been requested to state his reasons why they should touch the shell, which was probably the question Davis intended to ask. Meanwhile, Petersen reported on June 7, 1954, that Jim Andrews of Ideal Cement Company was seriously considering installing a lining with the shims kept one-half inch or more away from the shell by use of shims supported from the shell by a narrow leg on each end of the shim. He voiced his opinion that this would shorten lining life. His June 14, 1954, reply to Davis' question explained his reasons, pointing out that experiences of certain customers indicated that a heavier coating is obtained and

carried where more steel is installed. He cited installations where the hot zone portion of the shell is water cooled, resulting, in his opinion, in a very thick coating and long lining life. He concluded by asking if Ideal should be allowed to install the short shim lining.

By memo dated June 25, 1954, Davis continued the dialogue by letter to Petersen in part as follows: [3626]

“Pete, I’m not at all inclined to disbelieve your ideas on the subject. As I have pointed out in previous conversations and memos, we all agree, I think, that there is a connection between increased steel and longer life in certain spots. Certainly this has been proven over tires, if nowhere else. Whether this increase in steel contributes to longer life by creating a more rigid section at a point in the kiln that is subject to flexing, whether the increased life is due to getting and holding a coating better because of (a) cooling of the hot face, (b) better inducement due to the presence of more iron on the hot face, are questions which I don’t think we are as yet prepared to answer.

“I do feel that working together and comparing notes from actual field experiences, we are going to get the answer. As for example at Laramie, they have one lining using steel on all four sides which is giving better service than ever before. At the termination of this run and the termination of the run wherein they will install just as many plates, but the plates will not touch the shell, we may be able to draw some conclusions with regard to questions (a) and (b) of the second supposition.

“While this period of trial and error is going on, we should also keep in mind that we have every reason to believe that excessive steel can cause [3627] bloating of the hot face due to the reaction in the chromite and that at some point this could affect the life of the lining.”

Bloating of the hot face due to the reaction in the chromite is another way of expressing the teachings of some of the earlier patents, such as Geistler '498 that an excess of steel, caused to oxidize and expand to a volume greater than the original steel plates, may subject the adjacent refractory to severe stress resulting in fracturing of the refractory and spalling. By this communication, Davis is not evidencing an adherence to Petersen's brief in behalf of full shims to the shell. On the contrary, he is courteously cautioning Petersen that much remains to be learned about cement kiln lining construction. He is recommending that Petersen keep an open mind and that only field experience will furnish the information from which valid conclusions can be drawn.

On July 16, 1954, Ford sent Putnam the following teletype:

“Hank Anderson of Monolith Midwest states that the recent Laramie brick installation has proven very successful. The 7½" x 30" steel shims were installed between the rings. No shims or spacers were used circumferentially in this installation. He suggests we call Dunk Williams for the complete story if we are interested.”

(Olive had reported to Putnam that steel on all four sides of the brick had been installed.) In context, the

term "circumferentially" means shims between the brick in the ring. [3628]

On September 13, 1954, Olive reported a call at Laramie indicating that the installation had only short circumferential shims. On November 22, 1954, Ford reported a call on Monolith in which he said that Monolith considered the Laramie installation so successful that they would try it on the next small kiln to require lining. Monolith operations were reported to be under the impression that the circumferential shim was more sound mechanically and resulted in heat savings because of the space between the shim and the shell.

By interoffice memorandum dated November 30, 1954, one Kaiser office asked another to advise the cost for Kaiser to produce the radial shim for Laramie in accordance with a new sketch, as well as the way they previously sent the radial shim to Laramie and also the cost of an "L" plate to fit one end and one side of the brick, but one and one-half inches short of the shell. This latter request was probably anticipating the possibility of Laramie wishing to have steel on all four sides of the brick which would be the result of such an "L" plate. This is a continuation of the uncertainty as to just what was installed at Laramie and an effort by Kaiser to develop a refractory product to suit its customer's needs, the result of exchange of information with this purpose in mind. This use of the term "L" plate is to be distinguished from its later reference to a standard or short shim with a part bent over the hot face.

The Laramie kiln with the January, 1954, radial shims went down for relining in December of 1954, after ten months and twenty days of service. [3629]

On March 7, 1955, Ford called at Monolith, California, and made a report to Kaiser reading in part as follows:

“Management has decided to completely discard the conventional method of lining installation in favor of the radial shim practice for the following reasons:

“1. Elimination of horizontal lining cracks by alternating the radial shims between rings.

“2. More structural stability and resultant reduction of ovality of the shell because of the stiffening effect of the circumferential bond.

“3. Substantial reduction of radiation heat loss to the shell by providing insulation space between the cold face of the shim and the shell.”

On April 21, 1955, Ford called on Monolith and reported that the lining in No. 4 kiln was installed with the use of circular shims. The job took a little longer than the conventional manner because of creeping of the bricks. The next significant series of events in the relationship between plaintiff and Kaiser commenced June 9, 1955, at which time the parties met to discuss licensing Kaiser to practice the invention of Anderson which was the subject of a pending patent application. A review of the developments to that date will help to focus upon the significance of the license negotiations. Of importance is Kaiser's concept of the January, 1954, lining at Laramie, how the lining actually was installed, and what information pertinent to short shim linings Kaiser had received from sources other than the plaintiff. [3630]

KAISER'S INFORMATION CONCERNING THE JANUARY, 1954, LINING INSTALLATION AT LARAMIE

The January, 1954, Laramie hot zone lining which is the subject of all of this discussion was composed of ten feet of Kaiser brick installed in the conventional way with full shims. This section had been in the kiln since September, 1953, and was located in the burning zone where the flame was hottest. Twenty-two feet of the hot zone was installed in January, 1954, using the radial shims and a part of the hot zone was lined with alumina brick with no shims. Some of the twenty-two feet which used radial shims had steel on all four sides of the brick. What portion is impossible to determine from the evidence.

While Ford's March 3, 1954, call report relayed Johnson's reference to the short shim installation at Laramie, Olive's May 4, 1954, call report indicated that in the entire lining installed in January, 1954, each brick had steel on all four sides. Olive's report was generally credited as accurate since he had received the information at Laramie, while Ford's reference was from Johnson at Monolith, California. While Olive's report does not indicate that the radial shims were spaced, Davis of Kaiser, who received the information contributed by the various salesmen, thought that they were as indicated by his June 2, 1954, letter to R. L. Petersen. Davis also thought that the conventional shims were used in the ring to result in steel on all four sides as indicated by the same letter. If Johnson's reference to short shim installation referred only to radial shims, then both reports were credible and consistent with what Davis had in mind. On July 16,

1954, Ford advised Putnam that only short radial shims had been used. [3631] The impression of the Kaiser organization that the lining was constructed with steel on all four sides of the brick was not dispelled until Olive's September 13, 1954, call report indicated that only short circumferential shims had been used. This information received confirmation from Ford in his November 22, 1954, call report on Monolith.

The evidence on the subject of how the January, 1954, lining was installed leaves much to be desired, but in its entirety, it indicates that the major portion of the twenty-two foot section installed at that time was installed with radial shims held away from the shell by means of cutting the shim and bending over a tab or of washers or short pieces of metal rod welded to the hot edge of the shim. No means for holding them from the shell was suggested by Oberg. This was a matter apparently left to the ingenuity of the mechanics at Laramie.

From the time of the Johnson-Putnam telephone call to September 13 or November 22 of 1954, whatever information Kaiser had received concerning the Laramie installation was meaningless. The misconception of Kaiser as to the nature of the lining prevented any correlation of such information in terms of a short shim lining. Until the true character of the lining was brought to Kaiser's attention, it was Kaiser's understanding, as indicated by Davis' memorandum of June 25, 1954, to Petersen, that when the January, 1954, lining at Laramie required replacement, only then would a

lining be installed with places which would not touch the shell and that it had not yet been done. [3632]

After September or November of 1954, Kaiser could intelligently consider whatever information it had received concerning the January, 1954, Laramie lining. A review of all of the information received from the time of the Johnson-Putnam telephone call to June of 1955 reveals that all of such information relates exclusively to radial shims.

Kaiser had been told by this time that the Laramie installation had been successful, that it had a relatively long life and that a production increase of one hundred barrels of clinker per day had been experienced. Monolith's evaluation of the benefits was reported as:

1. Eliminating horizontal lining cracks;
2. More structural stability resulting in reduction of ovality of the shell by furnishing a circumferential bond; and
3. Substantial reduction of radiation heat loss to the shell.

Only one of these benefits would necessarily be common to any short shim, the reduction of radiation of heat through the shell. This result, however, may be peculiarly related to the radial shims for the obvious reason that a radial shim installation uses only about half as much metal as conventional shims employ. The relationship of the amount of metal in the installation and radiation through the shell was recognized by Davis in his reply to Petersen, explaining why Monolith want-

ed the radial shims short of the shell at a time he thought that conventional shims were also used. The effect of a short shim in the ring was not established by the Laramie lining. [3633]

The increased production effect required a great deal more information before it could be evaluated. It will be remembered that Oberg considered that he had assumed a great responsibility in authorizing this lining and it might be expected that consequently he and everyone under him were very anxious for it to be a success and no doubt tended the kiln with great care. It will also be remembered that a difference in average daily production over a year's time of sixty-eight barrels of clinker per day had been experienced before in the same kiln when it was using alumina brick. In 1950 the average daily production was 2,600 compared with 2,668 in 1951. To arrive at such an average over a year's time, some of the daily production differences and the production differences over the life of particular linings must have been much greater than sixty-eight. The reasons why the improved production was considered to be beyond a normal fluctuation remained to be explained before it could be reliably concluded that the increase was due to the construction of the lining. That many trials must be conducted before an observed effect can be attributable to particular cause or causes is well established in the record.

All of the other advantages thought to flow from the concept employed in the Laramie lining are peculiar to the radial posture of the shims used as compared to the longitudinal alignment of the conventional shim in the ring.

SHORT SHIM INFORMATION FROM THIRD PARTIES AND THE DEVELOPMENT OF THE KAISER UNITAB

Between the time of the Johnson-Putnam telephone conversation and September or November of 1954, and thereafter to June of 1955, other customers of Kaiser had raised the question of leaving a space between the cold edge of the [3634] shim and the shell with Kaiser salesmen who reported these suggestions to the home office. On June 2, 1954, Mr. Sauer of Riverside Cement Company discussed heat loss through the shell with Ford. He likened the shims to fins on a radiator and suggested a legged shim which would space all but an insignificant part of the shim from the shell. According to Ford's report:

"Sauer suggests that we spray our brick with a combustible mastic material to the required thickness to compensate for thermal expansion. He further suggested that steel shims be made with the cold face notched to reduce heat transfer to the kiln shell."

Davis penned a note at the foot of the report, reading in part:

"(2) We will supply plates bent over on one end if they wish—slight charge. Steel on the hot face may assist quicker coating—will do no harm."

On June 18, 1954, Davis told Ford to tell Sauer that such a plate would be furnished upon request to accommodate two practical purposes: First, it would not reach the shell, and second, the iron on the hot face would aid in inducing a coating. On July 6, 1954, Ford so advised Sauer and reported that the customer

was very interested in the use of bent-over plates to reduce thermal conductivity to the shell. This was prior to the time that Kaiser knew that the Laramie lining was short-shimmed. [3635]

Sauer tried out the idea by having about 1,000 shims bent so that one and a half inches overlapped the hot face resulting in a similar space between the cold edge of the shim and the shell. They were then installed in a kiln at the Riverside-Oro Grande plant. He found that this much space cocked the brick and the rings could not be keyed tightly, and decided upon a three-quarter inch space. This was before February, 1955, perhaps as much as six months before. On February 1, 1955, Sauer changed an order pending with Kaiser to provide a brick to which a shim bent over on the hot face and short from the shell would be attached. The result was a brick-shim unit. The order was shipped on March 2, 1955, and installed as needed commencing on May 18, 1955. All of this was before June of 1955 when the next step in the plaintiff-Kaiser relationship was taken. Further sales and installations were made in 1955.

On June 7, 1954, Petersen of Kaiser reported that Jim Andrews of Ideal Cement Company at Denver, Colorado was seriously considering installing a hot zone lining using a legged or notched shim to space it away from the shell at least one-half inch or more. This was before Kaiser knew that the Laramie installation was short-shimmed.

On February 15, 1955, Ford called on International Minerals & Chemical Corp. at Carlsbad, New Mexico. His report to Kaiser contained considerable information regarding heat loss through the shims and improvement

of the thermal efficiency by reducing heat loss through the shims. He also reported that Harbison-Walker had supplied to Canadian Refractories a short shim bent over the hot face, and that substantial savings had been realized in thermal [3636] efficiency. This was after Kaiser knew that the Laramie lining had short radial shims, but before June of 1955.

On March 15, 1955, Ford called on Southwestern Portland Cement Company at Victorville, California, and discussed thermal heat loss and the order received by Kaiser from Riverside Cement Company for the short-shimmed brick unit. He discussed the latest products being offered by General Refractories. This product is a unit of short shim and brick without any part of the shim on the hot face. He expressed the opinion that Southwestern's next order would go to General Refractories unless Kaiser could offer the same deal as supplied to Riverside. Southwestern ordered the Kaiser back-shim unit on April 4, 1955, and installed a lining of this product on May 4, 1955. All of this was before June of 1955. Kaiser made further sales of the same product which were installed all during 1955.

Ford reported a call on Riverside Cement Company's Oro Grando plant on April 27, 1955, stating that the salesman for General Refractories said that his company was prepared to supply metal encased brick with the insulating space such as Kaiser's or would metal encase them any way the customer wanted. On the same day he called on Southwestern Cement Company at Victorville, where the same General Refractories salesman repeated the statement he made at the Oro Grande plant.

DEVELOPMENT OF KAISER'S BRICK-SHIM UNIT

The Kaiser unitized brick-shim combination which was sold to Riverside appears to have begun to take shape before September 24, 1954, when R. T. Drennan of the Kaiser organization at Oakland addressed a memorandum to ther Kaiser personnel, including Petersen and Putnam. The first and last paragraphs are quoted: [3637]

“From time to time the suggestion has been put out by a few that we could probably enhance the value of our cement kiln liners by gluing on the cardboard spacer so as to cut down slightly on the installation time and at the same time eliminate once and for all the age old problem of bricklayers putting the block in upside down.

“ . . .

“I would like each of you to give me expressions from your group whether or not the gluing the cardboard alone on the brick, or gluing the metal alone on the brick, and leaving the cardboard loose as we are doing now, or gluing both items on the brick would result in more sales. Also, whether we could expect to regain any of this extra labor charge from the customer. In other words, we feel out here that if we did glue these articles onto the brick, it certainly would be a big time saver for the customer in lining up his kiln; but whether or not it would be of sufficient interest to him that he would absorb the cost or part of it, we do not know. Would appreciate your thoughts.”

A further step was taken on November 29, 1954, with a memorandum from Davis regarding such a unit

to save the customer money in installation. He suggested bending part of the shim over the hot face for identification of the hot face and to furnish iron to induce a coating. On December 14, 1954, Putnam added a note urging bending the shim over the hot face and shorting it from the shell, and added that [3638] he was "getting quite convinced about this conduction of temperature by the steel. . . ."

Putnam had observed that the superintendents of both the Riverside Cement Company in California and the Ideal Cement Company of Colorado had suggested legged shims to space the metal shim from the shell. He had suggested to Riverside Cement Company that the standard plate be bent over the hot face to accomplish the purpose, the same suggestion that Davis had made to the plaintiff. It is not at all apparent that he was becoming convinced because of the Laramie lining which employed the radial shims as argued by the plaintiff. The appearance of a market for a brick short shim unit would alone be enough to convince a refractory salesman that the product should be made available. Kaiser had received information concerning the installation and use of radial shims between rings from plaintiff and Monolith. However, information concerning short shims disposed in the ring as shims had been conventionally used in the past came from the patent art, other customers, other products on the market and in the course of development of its own refractory products.

Before the licensing negotiations between the parties in June, 1955, Kaiser had applied a well known elementary principle of physics, employed in an obvious mechanical manner, resulting in a short shim which it

glued to its own refractory articles to form a short shim unit which it sold to customers. Neither the basic knowledge nor the mechanical skill of plaintiff was [3639] involved. Kaiser was impelled to manufacture such an article by the demands of its customers, other than plaintiff, and to meet its competition.

No element or possible combination of elements of this unitary kiln block was derived from information not previously known to Kaiser or acquired from sources other than the plaintiff.

PRODUCTION RESULTS OF THE JANUARY, 1954, LARAMIE LINING

Plaintiff places great emphasis upon its claim that the radial short shim used in the January, 1954, Laramie lining resulted in a dramatic increase in daily production and longer lining life. Review of the record on this subject is very important.

Production figures are expressed in terms of an average daily rate of production over the period of one month. Instead of an increase in production after the installation of the January, 1954, lining, production immediately suffered a 25-barrel drop as reflected by the February, 1954, figures. During March it recovered to the previous level. In April a 200-barrel per day drop in production was experienced. Unquestionably, the March 3, 1954, report by Johnson of Monolith to Ford of Kaiser that this lining appeared to have increased production by 100 barrels per day was completely false.

Sometime early in 1954, a new Hummer screen was installed. The wet slurry which is to be introduced into the wet or feed end of the kiln which will travel [3640]

through the kiln and eventually become cement clinker, passes through the Hummer screen which prevents particles over a certain size from entering the kiln. The object is to provide more uniformity in the size of the particles in the slurry to promote the efficiency of the kiln and improve the product. The exact date of this installation is not established, but the probabilities are that it occurred before May of 1954. In any event, May showed improvement to the extent that its daily rate of production represented only a 125-barrel drop in production compared with the starting rate.

A material referred to as oxide residue was introduced into the slurry in June, 1954, and during that month the daily rate of production increased by approximately 250 barrels to a point where an increase in production over the starting rate was experienced for the first time, to represent an increase in production over the starting rate in the neighborhood of 125 barrels. In July, CO_2 gas was introduced into the slurry to decrease its viscosity and thereby reduce the quantity of water which would be required to produce a free flowing slurry. Since after the slurry is introduced in the kiln, the water content must be driven off by heat, a reduction of water content reduces the amount of heat [3641] required to produce a barrel of clinker. A significant increase in production was thereafter experienced. A peak of daily production was reached in December, 1954, with a total average daily rate of a little less than 2,850 barrels.

The production may be compared with the 1950 and 1951 average daily production with linings of alumina brick and no shims of 2,600 and 2,668 barrels, respectively. The increase in production would represent a

recoupment of the loss of production with basic brick compared with alumina brick. In fact, the figures would show an increase of production of some 44 barrels compared with 1950 and a loss of production of about 24 barrels compared with 1951. It will be remembered that Anderson's original concern was a "loss in production caused by the additional heat loss due to the increased thermal conductivity (of basic brick) above a 70% alumina brick," and that his contention that this was between 100 and 200 barrels of clinker per day is traceable to a comparison of production with alumina brick in 1950 and 1951 with production with basic brick in 1952 and 1953. To make this comparison, the Court averaged the February through December, 1954, production as reflected by Exhibit G, a chart which was prepared from a great quantity of other material. [3642] This average is undoubtedly inaccurate, but accurate enough to illustrate that all of the changes made, taken together, about compensate for the loss of production observed by Anderson, which he attributed to a greater conductivity of the basic brick. Compared with the basic brick production of 1952, 1954 represents a gain of 78 barrels and compared with 1953, 1954 represents a gain of 176 barrels.

The use of oxide residue in the slurry was the subject of two patents which were issued to Anderson and Williams and assigned to plaintiff. The patents issued in 1947 and 1948. Both patents asserted that oxide residue is useful in making cement clinker. The CO₂ gas process is also the subject of a patent issued in 1957 on an application filed September 27, 1954, which was assigned by the inventor, Duncan R. Williams, to plaintiff. In connection with the prosecution, it was represented that when used with slurries with chemical

content such as slurries used at Laramie, it "gives a totally unexpected and commercially important result."

Plaintiff's Anderson, whose ideas are the subject of this entire litigation, wrote a memorandum on June 17, 1955, which reflects upon the evaluation of performance of the Laramie January, 1954, lining. The part pertinent to this discussion reads as follows: [3643]

"I had moved to Los Angeles before these radial shims were installed and I am unable to give any data concerning the increased production or fuel savings due to this installation because almost at the time when these shims were installed CO₂ gas from the stack was introduced into the slurry to reduce the moisture of the slurry which would contribute to increased production and a hummer screen was installed at the end of the raw mill to remove oversized particles from the raw mill discharge. This would also result in increased kiln production."

Although there is conflicting evidence consisting in large part of the testimony of Lloyd Rentsch, it is established by a heavy preponderance of the evidence that the improvement of production achieved by the January, 1954, lining during its useful life was due to the several causes mentioned. While Anderson knew this in June of 1955, the contribution of the various causes awaited analysis by the Laramie operating personnel until more experience could be accumulated through successive installations.

In April of 1956, Potter, Assistant Superintendent at plaintiff's Laramie plant, reported to Williams, the Superintendent, on the improvements which contributed to increase in production during the period follow-

ing the first installation of Anderson's radial shims to April 14, 1956. He pointed out that the improvements had been both mechanical and operational. The first group of improvements made in 1954 with the contribution of each toward increased production was reported as follows: [3644]

"Average Daily Production—

1952-1953-1st half of 1954	2,311
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1954 Improvements:

1. Shims	19 bbls per day	
2. Co ₂ Treatment	114 " " "	
3. Oxide Residue	218 " " "	
	<hr/>	
Total	251 bbls per day	<hr/> 351
Average Daily Production at end of 1954		2,662"

Anderson made an undated report on the use of the radial shims which he called Circular Steel shims. It was made after five of such linings had been installed which had a total life of three years, three months and fifteen days. This fact and other evidence indicates that the time of Anderson's report closely coincided with the time of Potter's report quoted in part above. Anderson reported:

"Average figures show 19 barrels per day increased production after use of circular shims."

The records of plaintiff establish that for the ten months and twenty days of life of the January, 1954, lining to reflect an increase in production, other substantial changes were required and that such increase could not be solely attributed to the installation of the short radial shims. On June 17, 1955, Anderson wrote

about this fact in the language quoted above. Anderson was in a position to know this on June 9, 1955, when he participated in the conference which is about to be described. He didn't know what each improvement contributed to production, and he knew that he didn't know. [3645]

THE JUNE 9, 1955, LICENSE NEGOTIATION MEETING

On June 9, 1955, Anderson and Lloyd Rentsch, representing plaintiff, and Palmer Ford and C. E. Miller, representing Kaiser, met to discuss the possibility of licensing Kaiser to practice the Anderson invention. The issuance of a patent was pending. Rentsch wrote a memorandum of the meeting:

"Conference and lunch Palmer Ford (Sales Engineer), Chuck Miller (Technical Sales), Kaiser Aluminum & Chemical Co. and F. J. Anderson. F. J. Anderson discusses and advises at length his experience with (1) Coke and full shims, (2) the radiation difficulties with Kaiser shims, (3) the conception of Anderson shims. This is a round table discussion on High-Alumina brick and Basic brick with regard to strength, rigidity, eutectics and coatings. A principal point was the Kaiser view that it is necessary to have full shims to preserve the eutectic to protect the coating. We were asked as to the scope of Monolith's application, e.g., did Monolith seek control of Kiln Ovality. Reply: Not at liberty to discuss at that time. We were shown the metal sketch of a encased insulated Kaiser brick recently installed at Victorville. F. J. Anderson and I separately concluded infringement, but made no comment. Later, I

stated that Monolith wished to license its patent, feeling that it was a contribution to the art and of distinct economic value. Reply: Kaiser felt that they had sort of assisted in the development of the [3646] Anderson shim and would like first crack at the license. Each (Ford and Miller) would discuss proposal with Management to determine interest and reply."

The reference in the memorandum to Coke and full shims is a reference to Anderson's memory of an experience of years before. Powdered coke was being used as fuel and it burned with a short hot flame concentrating the heat over a short area of the burning zone. The alumina bricks then being used in this area had a short life. To ease the condition, Anderson had placed radial metal shims between the rings of brick and in contact with the shell to dissipate heat through the shell. When using basic bricks and experiencing a hot shell, Anderson applied his earlier reasoning conversely to conclude that if the shims did not touch the shell, less heat would be transmitted to the shell.

While there is some indication that Ford was interested in having the meeting take place, the principal moving party was Lloyd Rentsch, representing plaintiff, who wanted to sell Kaiser on the idea of taking a license. Rentsch testified at length on the subject of the meeting. On direct examination he testified that he recited the success of the Laramie January 24, 1954, lining and that they attributed this to two aspects of the invention, (1) that the longitudinal expansion of the bricks, referred to as creep, would wedge against the radial shim and with oxidation the lining would be more monolithic; (2) the thermal characteristics which

were that the short radial [3647] shim did not serve to cool the whole eutectic but only drained the heat where it was most needed, producing a greater uniformity in the temperature of the lining and less distress to the shell; Anderson stated that he was losing production until he put the invention in and that it certainly worked. Just before the meeting broke up, Ford drew a picture of the Kaiser brick-shim unit which had just been installed at Victorville. Rentsch said that he thought that the Anderson invention had great merit and that they had great faith in it. Anderson said that it was a departure from the practice. Ford said that he thought that Kaiser might be interested in some form of license agreement and would consult management. Kaiser's representatives also challenged the explanation of benefits as not satisfying. They wanted more explanation.

On cross-examination Rentsch expanded upon what he remembered of the meeting, adding two important points. First, that the meeting and disclosures were confidential, and, second, that the patent and the invention included longitudinal short shims as well as radial short shims.

Ford and Miller testified that nothing was said about the meeting being confidential and that Rentsch talked about the radial shims of the Laramie January, 1954, lining exclusively.

The Court concludes from all of the evidence on the subject that nothing was said at the June 9, 1955, meeting about the meeting's being confidential or about longitudinal short shims being a part of the Anderson invention or being claimed as a concept of the plaintiff. The simplest and most direct evidence

relevant to this point [3648] other than the conflicting testimony of participants at the conference is the undisputed fact that Ford of Kaiser drew a picture of a brick with an attached shim which was short of the shell and with a part of the shim bent over the hot face and told Rentsch and Anderson that Kaiser was manufacturing and selling such an article. Neither Rentsch nor Anderson made any comment, but secretly concluded that this was an infringement of the patent they hoped would issue. Had there been even the slightest indication from either Rentsch or Anderson that the plaintiff claimed that a short longitudinal shim was within the ambit of the patent or license which was the subject of negotiation, such a subject would most certainly have been closely examined and at length. The possibility of a claim of infringement would have been obvious.

An incredible explanation has been offered as to why Rentsch and Anderson said nothing about such an item being the employment of concepts concerning which plaintiff claimed a proprietary interest. The explanation is expressed by counsel for plaintiff in his brief after trial that:

“ . . . For the short-shim concept to be valuable, it had to be tested in a complex piece of machinery, a cement kiln, which is accessible for such purposes only in periods of dreaded ‘down time.’ And Kaiser did not have facilities of its own to test the short-shimmed article, but had to run ‘field trials’ in customers’ kilns. Thus, is it anything but reasonable that Monolith should assume that any so-called ‘uses’ by Kaiser prior to this date were ‘field trials,’ [3649] integral to the license negotiations, and consistent with a confidential relationship?”

The answer to the quoted question is that it is totally unreasonable. First, if such extensive testing was required for the value of the concept to be established, a point readily conceded, as well as established by the evidence, then plaintiff had no valuable information to disclose to Kaiser. As to the radial shims, it had one test which was more than complicated by other changes affecting production. As to longitudinal shims, it had no experience whatsoever. A test of radial shims with only one-half as much metal involved than when longitudinal shims are employed would be bound to reduce the amount of heat which could be conducted to the shell, whether they were positioned against the shell or short of it. Second, if Rentsch or Anderson entertained such an idea, why was it necessary to secretly conclude infringement? Third, how could Kaiser be conducting field trials integral to the license negotiations which only started that day?

By the same token, the negotiation was not being conducted in an atmosphere of mutual trust and confidence. At least, not on the part of plaintiff. Plaintiff's representatives were concluding that Kaiser was infringing, a hostile act, and said nothing. In an atmosphere of mutual confidence, a test would not be viewed as an infringement. Rentsch and Anderson were playing their cards close to their vest. The meeting was unquestionably an arm's-length negotiation on plaintiff's part. On the other hand, Kaiser forthrightly disclosed what it was doing in the same field of endeavor, but plaintiff kept its secrets.

A week after the June 9, 1955, conference, Ford [3650] watched the installation of radial steel shims in No. 3 kiln at Monolith and reported:

“All personnel are watching these radial shims with great interest. Some are very skeptical regarding the outcome of these two runs. Will follow closely.”

The “Some” are undoubtedly Monolith personnel. On June 23, 1955, Ford watched a radial shim installation in No. 4 kiln and noted problems due to lack of shims in the ring.

THE JULY 5, 1955, LICENSE NEGOTIATION MEETING

Rentsch spurred the license negotiation by a letter to Kaiser dated June 28, 1955, and on July 5, 1955, a second meeting was held, attended by Rentsch and Russell, a Vice President of Monolith, for plaintiff, and by Davis and Ford for Kaiser. Much the same material was again reviewed. Davis asked Rentsch if he had done any patent research, to which Rentsch replied in the negative. Davis said that he had a stack of patents a foot high and asked Rentsch for a look at the Anderson patent application, which request was refused. Davis inquired as to the basis for the suggested license to Kaiser. Rentsch said that plaintiff would expect a royalty.

Rentsch prepared a memorandum of this meeting (Exhibit 782) which was signed by Rentsch and his co-negotiator Russell. It recited that Ford of Kaiser had opened the discussion by pointing out that the Monolith lining with radial shims would be imperfect because the shape of the brick used had been designed to have

shims between them in the ring. They would, therefore, not fit perfectly. The memorandum continues, "Mr. Ford stated that the lining at Laramie was actually imperfect with the [3651] Kaiser shims—now with the Anderson shims the lining was perfect." The brick used at Laramie were designed for a kiln of a different diameter than the Laramie kiln, anticipating the use of shims in the ring. It just so happened that omitting the shims in the ring would result in a perfect fit.

Davis pointed out that at least one customer experienced longest lining life with the most perfect installations. This contributed one reason why the radial shim installations at Laramie would be expected to experience longer life than previous linings. It is also to be observed that the Kaiser personnel referred to the radial shims as Anderson shims.

As noted previously, Davis stated "that some brick coatings were improved by radiating more heat away from the hot face than normally, and some brick coatings were improved by radiating less heat away from the hot face. He wondered if we had any information to determine if we were in either category. Mr. Rentsch replied that he did not know." The memorandum also recites, "Mr. Rentsch advised early in the discussion that Monolith's application was based on both a transverse and a longitudinal installation and this was said by them (Mr. Ford and Mr. Davis) to be original information on the subject."

The statement by Ford and Davis that it was news to them that longitudinal shims were covered by the patent was not apparently disputed by Rentsch, a circumstance that would cast doubt upon Rentsch's testi-

mony that they were so advised at the earlier June 9 meeting. Even if Rentsch previously had entertained the thought that he had said enough to let Kaiser know that their product was covered by the pending patent and that Kaiser was simply engaging [3652] in a cooperative experiment, surely this thought would have been dispelled by the reply of Ford and Davis that this was news to them and would have given Rentsch cause for concern and to speak out. This inconsistency alone casts doubt upon the reliability of the recitation. Although Russell also signed the memorandum, a conflict in the testimony of these two gentlemen on the subject is indicative that whatever was said on the subject of the contents of the patent application failed to convey the impression that it covered the Kaiser development called to Rentsch's attention at the last meeting.

Rentsch testified that it was stated that this conference was confidential and that he said that the patent application claimed both longitudinal and transverse shims spaced from the shell. In this he was not supported by the testimony of his co-representative, Russell, who testified that nothing was said about the meeting being secret or confidential and that he failed to get the impression or any understanding that Kaiser's spaced shim article was covered by the pending patent application. Russell also testified that Rentsch advised the Kaiser people at the meeting that the function of the Anderson shim was not to prevent heat loss, but to diffuse and carry away heat.

Again, from all of the evidence, the Court finds that the meeting was not stated to be confidential, nor was it disclosed to Kaiser that the Anderson pending patent application covered longitudinal short shims. It is

clear [3653] from subsequent events that whatever Rentsch said to Ford and Davis about the patent application wasn't understood by them to mean that the Anderson shim was anything other than the radial shim. No copy of the memorandum was sent to Ford or Davis or Kaiser at the time it was prepared. A chain of correspondence between the parties about the proposed license to Kaiser followed the meeting. Several intervening developments are also a part of the picture.

LICENSE NEGOTIATION CORRESPONDENCE

Three days after the July 5, 1955, conference, Davis of Kaiser advised Rentsch by letter:

“As a prominent manufacturer of cement kiln hot zone liners we are always very much interested in any development which will contribute to longer, more economical hot zone service. Your group has allowed our sales engineers to follow this development and we are extremely grateful for this privilege and for the fact that you thought of our company first, as an exclusive licensee.

“It has been our experience that a surprisingly large number of carefully observed field trials are required to evaluate both refractories themselves and various methods of refractory construction. This of course is so because of the great number of other variables which come into play, even in the same furnace [3654]

“Since you are anxious to conclude the matter at an early date, we suggest that we could come to a somewhat more valid conclusion regarding the matter if we were to thoroughly understand the reasoning behind the innovation. Since you have

already made patent application, or at least have prepared a complete disclosure, we would suggest that we be permitted to review one or the other. I believe then we could relate that information to our experience and come to an early decision.

“We certainly do appreciate your offer, and as I explained at lunch the other day, if we have such an agreement with you we want it to work to your entire satisfaction and never become a source of misunderstanding between the companies.”

By letter of July 15, 1955, Rentsch suggested three considerations before entering into a license:

“1. The actual interest of a supplier whose sales would be reduced to the extent of lengthening the life of his product.

“2. Whether a true licensee relationship would be profitable under which the licensee became the agent and trustee of the licensor and had not and would not assume any adverse interest.

“3. Whether the several additions to the Monolith application filed on February 4, 1955, should be perfected before disclosure thereof.” [3655]

Davis replied on July 2, 1955. He said that he had to admit that he did not understand Point 2, but answered on the assumption that it was a further amplification of Point 1. He pointed out that the backbone of their sales policy had been a study of methods of installation which would lengthen lining life and that this has resulted in a “most remarkable increase” in sales. On the third point, he said:

“As to Point 3, it would seem that that decision is primarily yours. However, since we make no

claim to the method of installing basic brick practiced by you on June 14th in lining the hot zone of No. 3 kiln at Monolith, we would be willing to sign a waiver of any claim to this method prior to being permitted to view additional disclosures which are not yet included in your patent application. Our Mr. P. B. Ford, as you may know, was present during part of the installation to which we refer."

Plaintiff contends that it is significant that Davis does not refer to the Kaiser short shim installation at Victorville. Or course, there was no need to, since this unit and installation had already been fully disclosed to Rentsch at the June 9, 1955, meeting. After both meetings there is no question but that Kaiser had the impression that the "Anderson shim" which was the subject of the pending patent application and all of the discussions and information received by Kaiser was the radial shim and no other. If Point 2 was intended to refer to the Kaiser product, this fact was so carefully concealed from Kaiser that Kaiser would have no reason to even suspect such intent. [3656] Had plaintiff intended such reference, the normal reply to Davis' letter in which he said that he does not understand Point 2 would have been to make the point clear. Instead, Rentsch replied to Davis on August 15, 1955, that he and Monolith's executives had attempted to "block out a form of contract covering our means of installing fire bricks," and that he was forwarding it.

The form of contract was enclosed and is Exhibit 953 and HH in evidence. Plaintiff attaches significance to a recital in the document that refers to "the technical information and any Applications for or Letters Patent issued . . ." The body of the instrument re-

fers to "technical information heretofore or hereafter furnished to Kaiser, whether described in pending Applications for Letters Patent or Applications hereafter made for Letters Patent hereafter issued. . . ." The language is so vague and uncertain that it conveys no hint of the secret conclusion of plaintiff that Kaiser's unitary article used at Victorville infringes the pending patent.

Meanwhile, one of the Monolith kilns using radial shims had terminated its run due to a badly cracked shell. Ford reported to Kaiser on July 27, 1955:

"We are unable to offer any conclusvie evaluation on the radial shim installation on this run."

On October 19, 1955, Rentsch again wrote to Davis saying that in the absence of a reply to his last letter, he was uncertain whether the proposal was still being considered or that Kaiser wanted to continue negotiations. [3657] Davis replied on November 2, 1955, agreeing in principle that plaintiff should have assurance that its invention would be diligently exploited, continuing:

"There is a difficulty however, on our side, and that is simply that in a highly competitive business such as this, we must be continually, through both research and field work, exploring and developing among other thngs, improved methods of installation. This means, of course, that we already have conflicting interests and must, of necessity, retain these and acquire others that we may invent or discover in the future.

"The second problem, which is equally thorny, is that we have found that operating practice, kiln conditions and kiln equipment vary so much from

place to place that we believe there is no one real answer to the best possible installation of basic brick.

“This all seems to indicate then, that we could not in all sincerity, undertake to exploit your inventions in the manner described.”

Davis adds that they would be a good candidate for a non-exclusive license.

Davis had applied for a patent on September 9, 1955, which patent was ultimately issued on April 8, 1958, as Patent No. 2,829,877. Plaintiff attaches significance to the fact that Davis did not mention this or that Kaiser considered that short-shimmed kiln lining construction was in the public domain. Again, there was no occasion to do [3658] so since plaintiff had never told Kaiser that plaintiff claimed any short-shimmed design except the radial short shim.

On November 9, 1955, Davis wrote to Mr. Coy Burnett, President of Monolith Portland Cement Company, as follows:

“At the request of W. A. Marsh, I am enclosing the pertinent portions of my file of correspondence with Mr. Lloyd W. Rentsch. The subject matter deals with the question of exploiting your Company’s inventions with respect to the installation of rotary kiln liners.

“To remove a possible source of misunderstanding. I might mention that we have interpreted ‘conflicting interest’ appearing in Paragraph 4 of the suggested Agreement, as any other method of installing kiln liners.

“You may also be interested to know that our shop which has been fabricating your special cir-

cular shims has developed a slight modification in design which will materially reduce costs. This suggestion, in detail, will be submitted to your plant in the usual manner."

Burnett replied on November 14, 1955:

"I believe the position taken in your November 2nd letter compels us to say that we will expect to obtain all profits which are made by your company because of the information developed at our plant and delivered to you with reference to the Anderson shims, and unless we [3659] can cross that bridge, I would not think it worth while to have any joint interest in this venture, except as related to the purchase and sale of specific materials."

The reply from Davis, dated December 1, 1955, reads:

"Thank you for your letter of November 14th. Your suggestion that profits from our sale of the Anderson shims to companies other than your own revert to Monolith Portland Cement Company, is agreeable to us.

"Since we concur on this fundamental, perhaps you would care to forward a suggested agreement."

The next several items of correspondence demonstrate that Kaiser considered that the proposed license related to the radial shims only and the correspondence as a whole shows that the parties were dealing at arms' length on the subject of a license. On December 6, 1955, Burnett wrote to Davis:

"Answering your letter of December 1st.

"Under the circumstances, it seems to me that all that would be in order would be that you pay us a certain percentage of the sales price in which the

Anderson shims have contributed to the sale or been used; and the future sales would need to be submitted to us for our approval in advance unless you take some responsibility in connection with the promotion of the use of these shims.

“If you indicate an approval to these principles, I will ask Mr. Lloyd Rentsch, who is [3660] in charge of our patent affairs, to attempt to work out something. If you agree only to the accounting for sales heretofore made, I should still like him to attempt to learn as much as he could of the value of the contribution to the art of the Anderson shim and make some fair valuation thereof, as I am unable to personally follow out ventures of this sort.”

Davis turned the matter over to Kaiser's Legal Department, Mr. R. W. Koskinen particularly, who asked Rentsch for a draft of agreement. Rentsch replied that he would “in the near future,” but on January 19, 1956, Rentsch advised:

“Mr. Burnett's letter of December 6, 1955 to Mr. Davis asked for the acceptance of its terms as a condition of our taking the step to determine value.

“If this is your understanding, please advise that you are prepared to accept those conditions and I will proceed with the study.”

Koskinen replied:

“I have your letter of January 19, 1956 concerning the terms upon which we might undertake the sale of Anderson shims. As a general proposition we would be willing to give you any profit which we might make from the sale of An-

derson shims to companies other than Monolith; however, we would be unwilling to give you a percentage of the sales price of sales of our refractories in which Anderson shims might [3661] incidentally be involved. Nor would we be willing to submit future sales of our refractories to you for your approval."

Clearly, this reply interprets Burnett's December 6, 1955, letter about paying plaintiff a percentage of the sales price in which the Anderson shims have contributed to the sale as a reference to the radial shims which Kaiser had made for plaintiff and Monolith, since such shims had been made for and sold exclusively to them, completely missing the inference (which plaintiff now argues was plainly present) that the Kaiser unitary brick short shim articles were Anderson shims in the eyes of plaintiff. This undoubtedly was or should have been obvious to plaintiff. On the other hand, if the Burnett letter is construed as a reference to the Kaiser unitary brick and short shim article, the letter itself indicates that plaintiff knew of Kaiser's sales. So Kaiser couldn't possibly be deceiving plaintiff. With this in mind, the indefinite phraseology of plaintiff, which can be said to convey its concept only inferentially at best, seems to be an attempt to obtain a commitment which is subject to a broader than obvious interpretation.

In connection with the production of radial shims for Monolith, Kaiser suggested a change in order to effect an economy. Before the drawings reflecting the change left Kaiser's drafting office, a rubber-stamped legend was [3662] placed on the document, saying that Kaiser claimed any patentable matter reflected upon the draw-

ings. When this reached Schoonover of Monolith, he wrote to Ford of Kaiser. This was January 16, 1956:

“ . . . We see nothing in your drawings SK16 and SK18 which does not, in our opinion, obviously fall within the subject matter we have covered by a pending U.S. patent application. Further, we consider that all of the material shown in your drawings has been directly derived from the disclosure to you of this concept by our organization.

“ . . . Further, we inform you that Monolith will consider your supplying drawings of shims of this category to others as a breach of Monolith's confidential disclosure of this information to your Company which may be considered the subject of contributory infringement when patents issue on Monolith's development.”

Davis replied to Schoonover on February 1, 1956:

“This is in reply to your letter of January 16th, addressed to Palmer B. Ford. The statement on Drawings SK16 and SK18, to which you refer, is a standard one appearing on all our drawings and is for our protection only.

“The intent of the first sentence is to protect ideas originating with us. We certainly make no claim that material on the drawings in question originated with us and we therefore [3663] make no claim to property rights.

“We understand and agree, as we have in the past, that your disclosures to us in regard to the Anderson devices have been confidential and our people have all been instructed accordingly.

“We appreciate the opportunity of working with you on any matters relating to refractories and trust that this letter leaves us both with a complete understanding of this particular situation.”

Bearing in mind that the sketches referred to showed radial short shims only and that no other Anderson device and particularly no single brick short shim with a part bent over the hot face had ever been shown to Kaiser by plaintiff or any of its agents, the reference to Anderson devices was reference to Anderson's concept of a shim circumferential in design to be installed between rings transversely oriented to the axis of the kiln. The use of the plural “devices” is consistent with the fact that two shims are shown in the referenced drawings and also that the radial shims had been in a stage of development and several versions were known to Kaiser.

Counsel for plaintiff would have the Court refer to the draft of the license agreement furnished to Kaiser by Rentsch for a definition of “Anderson devices.” This draft was an unilateral suggestion of the plaintiff which was unacceptable to Kaiser. Furthermore, alternative suggestions had already been forthcoming from Barnett on behalf of plaintiff. While these had been rejected, it must at least be recognized that both parties had moved away from the proposal of the draft with its loose and uncertain language. In context, it is preposterous to [3664] suggest that this letter means to refer to anything but the radial shim design.

This letter is the springboard for arguing that it operates to convert every conversation and every observation from the Johnson-Putnam telephone call of August 27, 1953, to date into a confidential communication. It

could not possibly be so understood by any reasonable person and the evidence against such a concept is overwhelming. Furthermore, plaintiff argues that since the sketches referenced in the letter show a space between the cold edge of the shim and the shell of the kiln, this letter constitutes a disclosure of spacing per se and acknowledges this to be a confidential disclosure. This is neither the intent nor the effect of the letter, but rather a gross perversion of its terms and intent.

On February 13, 1956, Rentsch, on behalf of plaintiff, advised Koskinen of Kaiser as follows:

“Monolith is certain that, in most if not all applications, the Anderson shims have value in amount which will contribute to or control the sale of refractories.

“Two of the considerations Monolith expects in exchange for a license is adoption of the above principles together with an assumption of responsibility heretofore indicated both of which fail of your approval.

“As further negotiations between Kaiser and Monolith seems unwarranted, I will initiate discussion with other refractories manufacturers and continue the evaluation of the Anderson shims.”

On February 9, 1956, Ford reported a call on Monolith which reads in part as follows: [3665]

“Experimentation on reduction of hot zone heat loss continues with the drilled brick 70% alumina and new MZC 4 sided brick which is accomplished by the use of circular steel shims between the rings and regular 9 x 5-7/8 flat shims bent 90° at 2" between courses . . . I have a few pictures of this installation if anyone is interested (confidential not for publication).”

On February 15, 1956, Ford reported to Putnam:

“Enclosed are a few pictures which you may find interesting. Please refer to the numbers on the back of the photographs.

* * *

“Picture 4 shows Dough Kingsbury at Monolith holding a circular shim and a regular 9 x 6 shim bent 90° at 2" from the hot face, which were intalled in this 9" PCA unburned lining. In effect this method metal cases the brick on four sides, with a 2" insulating space between the cold face of the shim and the kiln shell. Picture 5 shows the two types of shims being installed in the above jacks.

* * *

“All these pictures are classified as Confidential and are not to be circulated outside our company . . .”

These two reports are the first indication of a short shim bent over the hot face and short of the shell being used by Monolith. Both followed the February 1, 1956, Davis letter [3666] and contributes nothing to the Kaiser conception of the Anderson devices. Nor do they add anything to the concept of confidential relationship of the parties. They indicate simply that discretion was exercised by Kaiser concerning publication of specific details of what an identified customer was doing.

Notwithstanding the apparent termination of license negotiations, the parties still toyed with the idea. On May 21, 1956, Kaiser's expressed desire to make a trial

run of Anderson shims at the Permanente Plant was agreeable to Monolith.

“Monolith is agreeable to such plan provided that we obtain performance data and inspection rights. Naturally, we have suggestions on installation and operation for a controllable trial run.”

The only conceivable Anderson shims referred to would be the radial shims. Kaiser had ample experience with the short longitudinal shim. Both parties understood the term. Plaintiff didn't ask what kind of Anderson shim; it knew that Kaiser considered the Anderson shim to be the radial shim. This view is reinforced by the interoffice memorandum of Ford to Putnam of Kaiser, dated May 22, 1956.

In this memorandum Ford recounts a conversation with Rentsch about the proposed test at Permanente, the possibility of taking a license, royalties and conflicting interests and at the Laramie plant:

“... is the only one that has proven the feasibility of this system ...

“I then described our recent development of [3667] the T-3-16 brick, the 30 installations made to date, etc., with still no positive conclusion. I then advised him that it may be possible to make a trial at Permanente Cement to provide the empirical data needed to pursue this problem to a mutually satisfactory conclusion.

“It doesn't take much imagination to see how this 'gimmick' could revolutionize the cement industry if the Laramie rumors are true. I'm sure our competitors could use such a gimmick to regain lost

ground in this industry in case we forfeit our original interest in this situation.

“Therefore, it is my suggestion that we work out a trial at some plant other than Monolith, preferably Permanente, where radiation loss and short service is a problem. After a full evaluation we’ll both know what we’re talking about.”

Rentsch disputes the part about installations of T-3-16 brick, but for reasons to be mentioned, the memorandum of Ford is more reliable. The gimmick he would like to try could hardly be a longitudinal short shim such as Kaiser’s own, nor would the Laramie reference make sense unless he referred to the radial shim.

In October, 1956, Kaiser submitted that it referred to as a sneak preview of advertisements about to be published offering the Kaiser Unitab brick to the public. This was the unitary brick shim combination with combustible mastic to compensate for in-the-ring expansion and an attached cardboard spacer on the end of the brick for [3668] longitudinal expansion. The shim is shown, but on the hot face, and either spaced from the shell or not as desired.

It was then clear to plaintiff that Kaiser would not enter into a licensing agreement broader than the radial shim. On November 5, 1956, Monolith Portland Cement Company wrote to Kaiser Aluminum & Chemical Corporation as follows:

“Your advertising circular, enclosed in an envelope postmarked San Francisco October 18, 1956, has been brought to my attention. This is to advise that Monolith believes that the disclosure contained in the circular is an infringement upon

the Anderson Shim, upon which application for Letters Patent are pending. We wish to further advise that it is Monolith's position that the idea pertaining to the Shims was disclosed to your Corporation, in trust and confidence, and your exploitation of the idea entitles Monolith to be compensated."

Kaiser replied that the Unitab was its own development and the lawsuit eventually followed, being filed on June 6, 1958.

DEFINITION AND VALUE OF THE DISCLOSURES

Plaintiff bases its claim upon several legal theories, but in argument puts chief reliance upon one. This is the charge that plaintiff confided certain information to defendants; that defendants breached the confidence and thereby either destroyed the value of such information to plaintiff, in which case plaintiff is entitled to damages, or used such information for defendants' benefit, in which case defendants would be unjustly enriched unless compelled to pay the reasonable value thereof to plaintiff. [3669]

In cases of this kind it is usually conceded that the subject information has value to the parties, but in this case one of the hotly contested issues is whether the information allegedly confided has value. Conversely stated, defendants contend that whatever information they received was misinformation. Plaintiff has the burden of establishing that the information it claims to have confided is not misinformation, but, on the contrary, it is factual, truthful and useful to at least plaintiff or defendants.

The nature of the information claimed to have been confided is defined in the pretrial order at page 32. Briefly stated, it is: That if the shims used between basic bricks in the ring are suspended on the hot face of the brick so that a space is left between the shim and the shell, a more efficient and more durable kiln and kiln lining will result. Pursuing the threat of analysis commenced above, plaintiff must prove that this is so. In response, plaintiff endeavored to show that a lining so constructed would increase daily production and lengthen lining life.

The evidence shows that during the time that the disclosures were being made, plaintiff had no experience with short shims between the bricks in the ring which would support the assertion that such a construction would produce a more efficient and more durable kiln and kiln lining. Its experience in support of this tenet was limited to the use of short radial shims positioned between the rings of brick in the kiln. Plaintiff contends that experience with radial shims is applicable to shims in the ring. Defendants contest this, but as a first step deny that the radial short shims produced the claimed result in the terms of the pretrial order or in terms of increased daily production and extended lining life. [3670]

In argument plaintiff has many ways of stating the claimed disclosures. It is argued that Anderson had two principles in mind, "one was the thermal function of short shims and the contribution to kiln efficiency. . . ." The other was the structural stability of the radial shim. It is argued that "the connection between heat loss and kiln efficiency" was the concept which was completely new and novel to Kaiser. Kiln efficiency is an

elusive expression. From the standpoint of better insulation, short shims of course improved it. Any time change which reduces the consumption of fuel, increases lining life or in any other way aids in the production of clinker at reduced cost improves kiln efficiency. The kiln efficiency claimed by plaintiff is a notable increase in daily production.

Plaintiff argues:

“ . . . As we have pointed out elsewhere, one of the important parts of the Anderson invention was not the relatively small amount of BTU's thus saved from being dissipated by radiation through full shims, but that such small amount of heat was saved at the *critical* exothermic clinkering point in the burning zone.”

The “critical exothermic clinkering point in the burning zone” is not a point or area in the kiln; it is a condition of heat. The short shims are used throughout the burning zone and the existence of a space between the shim and the shell improves the insulation of the kiln in this area. The argument quoted is that insulation might be expected to result which would be reflected in reduced fuel [3671] consumption, or conversely, in a predictable increase in production without an increase in fuel consumption, but that surprisingly the increase in production obtained was greatly in excess of the predictable consequence of the saving of heat through improving the insulation or prevention of the loss of a given quantity of heat. The evidence does not establish that such a result obtained or that the critical exothermic clinkering point is maintained in any way other than the application of heat from the only source of heat available, to wit, the flaming fuel.

Plaintiff claims to have discovered the valuable information and the beneficial results from the installation of Anderson's radial short shims at Laramie. But plaintiff failed to establish by a preponderance of the evidence that the increase in production or the increase in lining life claimed for the Laramie experience was attributable to the short shims used, or that an increase in production or an extended lining life was to be expected elsewhere if the short radial shims should be used. The evidence showed that other variables were introduced into the kiln which could account for the results. More will be said presently in this analysis of the case about these other variables. Experience with such basic brick linings at Monolith failed to confirm these claims and Monolith abandoned such construction. [3672]

Assuming, however, that the results claimed for the Laramie radial short shim linings were as claimed by plaintiff, Defendants' next position is that these results are not analogous to short shims placed in the ring. A lining constructed with short shims placed between each brick in the ring covering most of the side faces of these brick has much more steel in it than a lining constructed with radial shims which cover most of only the smaller end faces of the brick. Since plaintiff asserts that its construction was a delicate and precise balance of restriction of just the right amount of heat, the balance would be upset by the additional steel. The short shim is a restriction of loss of heat via the steel in the shim; so, of course, the more steel, the greater the loss of heat. That the balance would not be upset would be theory rather than information because plaintiff had no experience with the short shims

in the ring which was claimed to have produced any of the beneficial results or which could be the foundation of any knowledge on the subject.

Furthermore, defendants point to the fact that all of plaintiff's installations spaced the radial shims one and one-half to two inches from the shell and that all information from plaintiff was in this context. One of plaintiff's experts testified that at least one inch should be left between shim and shell to effectively practice Anderson's teachings. This [3673] unexpected production increase was the discovery of value and plaintiff freely admits that it is an elementary principle of physics (not valuable information which could be the subject of a confidence) that merely breaking contact between the shim and the shell would reduce the radiation of heat from the shell through the shim. Kaiser asserts that it did not employ any principle related by plaintiff by leaving three-quarters of an inch space or less between shim and shell. In any event, it is well established that plaintiff had no experience with such construction and no actual information as to how it would work.

Plaintiff conducted an elaborate experiment at Monolith to directly prove, rather than by analogy, the verity of the information allegedly confided. Two kilns which were as much alike as could be were employed. The hot zone lining of one kiln was constructed with shims in the ring laid up to be in contact with the shell. The other employed short shims in the ring laid up to have a space of one inch between the cold edge of the shim and the shell. The experiment was weighted in favor of better performance for the kiln with short shims. Even so, the results were inconclusive.

The experiment did not establish beyond the probabilities of error that a short-shimmed lining might be expected to result in greater production than a lining with the shims in contact with the shell, or that short-shimmed linings might be expected to have longer life. [3674]

As further proof of the pudding, so to speak, plaintiff points to the commercial success of the Kaiser Unitab and the advertising of this product as proof of the fact in issue. Commercial success of the Kaiser Unitab is admitted and the advertising of this article by Kaiser was produced. The evidence shows that the commercial success of the Unitab can be attributed to a unique combination which supplies in a single unit several essentials of hot zone kiln construction.

Prior to the Unitab, and its antecedents in development, refractory bricks were laid in rings. Between each brick a separate shim was placed. A certain number of cardboard spacers, which were the size of a shim, were also placed in each ring to compensate for the expansion of the bricks in the ring when they were heated. With the cardboard spacers, the ring could be laid up tight. Then when the kiln was fired, the cardboard burned out and the bricks expanded to occupy the space the cardboard originally occupied, thus maintaining a tight ring. To compensate for expansion laterally, that is, in the direction of the axis of the kiln, additional cardboard spacers were required between rings. The Unitab reduced all of these separate items to one by gluing the shim to the brick with a combustible mastic of just the right thickness to compensate for expansion in the ring and by gluing a cardboard spacer to the end of the brick to compensate for expansion of the rings along the axis of the kiln. [3675]

The advantage of such an article is self-evident. One installation operation serves for what was formerly three. The savings in installation labor alone makes the article attractive. In addition to this unitary feature, the shim is bent over the hot face. This identifies the hot face from the cold face which is sometimes difficult and always critical. The danger of a brick being placed in upside down is eliminated, installation is speeded and inspection made easy. When the kiln is heated, the iron on the hot face promotes the formation of a coating. True, the shims are short of contact with the shell, but by three-quarters of an inch or less. This represents simply a lack of contact with the shell resulting in less radiation through the shell, rather than a studied attempt to obtain a particular optimum of retention of heat to accord with the claimed teachings of Anderson's disclosures.

The commercial success of the Unitab lies more in its convenient unitary character than in the fact that the shim is short of the shell. It is an article which was developed to meet competition and the demands of Kaiser's customers. Kaiser's advertising of this article does not rely more upon the short shim than upon its other features. In fact, the reverse is true. The commercial success of the Unitab does not establish the claims of plaintiff. Plaintiff has not shown by a preponderance of the evidence that the short shim, whether radial or in the form used by Kaiser, does in fact improve production of clinker or increase lining life. [3676]

Kaiser's advertisements claimed increased kiln efficiency. In terms of reduced cost of clinker, reduced labor costs alone would sustain the advertisement. In

terms of longer lining life, in the long run the insurance against faulty installation would be sure to produce a better lining which would last longer. Lasting longer, taking less time for installation, would both contribute to an increase in production. Kaiser's claims for its product may be justified without reference to a noticeable increase in daily production and they do not constitute an admission of the efficacy of spacing the shims from the shell in terms of plaintiff's claimed disclosures.

Further pursuing the subject of the information alleged to have been confided, the information must be new to the recipient. Defendants claim that they employed their own knowledge in the development of the Kaiser Unitab and the information contained in the Kaiser advertisements and that such knowledge was either independently discovered or developed by Kaiser or was obtained from others or was already known to Kaiser.

To cap this phase of the case, the record taken as a whole shows that plaintiff's disclosures to defendants were disclosures of the configuration, placement and installation of Anderson's radial short shim concept and nothing was said by plaintiff about employing a short shim between the bricks in the ring. The evidence, particularly the testimony, on this point was conflicting, but careful consideration and analysis of all of the [3677] evidence compels resolution of the conflict in this manner. This points up the importance of whether the two constructions can be said to be so analogous that the performance of one would establish the performance of the other. The differences compel the conclusion that this is not to be expected

and that a confidence regarding radial shims would not suggest to defendants that plaintiff intended it to be considered a confidence regarding shims in the ring.

Plaintiff has dismissed the matter of bending a part of the conventional shim over the hot face of the brick to hold it out of contact with the shell as a simple mechanical solution to the problem. With this, the Court agrees. The record shows that it has readily occurred to any mechanic or kiln operator confronted with the problem. Plaintiff has not established that a stronger kiln or kiln lining is obtainable by use of short shims in the ring. No evidence was specifically directed to this concept. Plaintiff has not proved that such construction provides a more efficient kiln except in the sense of being better insulated. No notable increase in production has been proven to be attributable to the employment of short shims in the ring.

It thus appears that in light of the evidence adduced, plaintiff's valuable information, when shorn of semantic embellishment, amounts to nothing more than [3678] that it is desirable to leave a space between the shim and the shell to restrict radiation of heat through the shell by way of the shim. Even if it be established that this information was passed on in confidence, this fact would not support a judgment for plaintiff because the fact that such a space will inhibit the transfer of heat from shim to shell is known to all and the fact that it is desirable to do so was specifically known and recognized by Kaiser, documented in the patent art and well known in the cement industry. The specific means of a bent-over shim to leave the space was suggested by Davis of Kaiser and others, but not by plaintiff.

THE ATMOSPHERE OF THE NEGOTIATIONS
—KAISER IS NOT GUILTY OF A SPECIES
OF FRAUD

Turning now to the part of the equation that the information was confided to Kaiser in an atmosphere of trust and confidence, the opposition to the plaintiff's tenet is equally uncompromising. The Johnson-Putnam telephone conversation of August 27, 1953, was not a disclosure in confidence. It was an inquiry posed to Kaiser in the same atmosphere of free discussion of kiln problems which had prevailed before. Enough has been said about this. [3679]

On June 9, 1955, the date of the original license negotiation, plaintiff's experience with short radial shims was limited to the January, 1954, installation at Laramie. On July 5, 1955, the second negotiation meeting, plaintiff had little additional information. Plaintiff's representatives, Rentsch and Anderson, knew that the results obtained during the life of this lining were not all attributable to radial shims. They knew that they had not themselves evaluated the contributions of CO₂ gas, oxide residue and the installation of a Hummer screen.

Rentsch and Anderson knew that the introduction of some of the changes made to produce the results achieved during the life of the January, 1954, lining had a material effect on the production at Laramie because of the chemical composition of the slurry used there and that the same results could not be expected at other cement plants which did not use slurry of that chemical composition. For example, at Monolith slurry of a different chemical composition was and is used and

subsequently the unexpected increase in production attributed to the radial shims at Laramie was never experienced at Monolith, thereby indicating that the results claimed were not attributable to the radial shims alone, and very likely were not to be expected elsewhere. The subsequent analysis of the production at Laramie by operating personnel, which was also accepted by Anderson, assigning only 19 barrels of increased production to the shims, indicates both the uncertainty which Anderson and other operating personnel knew to exist and also their competence to make the analysis. [3680]

Nonetheless, plaintiff's negotiators, Anderson and Rentsch, represented to Kaiser that the shims alone accounted for the increase in production when they not only knew that they did not know this to be a fact, but that at the time of the June 9, 1955, conference, Anderson in particular was unable to give any data concerning the increased production or fuel savings due to the installation of the shims because of the introduction of other elements for the purpose of improving the production of the run. They also knew, or had every reason to believe, that Kaiser was competent to evaluate the results if given the facts. It is perfectly obvious that it was intended that Kaiser should rely upon the representation that the increase in production was attributable to the shims alone.

Since June 9, 1955, plaintiff was aware of the fact that Kaiser was manufacturing and had sold and was selling a brick short shim unitary combination. From the moment that this fact was made known to plaintiff at the first conference concerning a license from plaintiff, plaintiff concealed the fact that it expected

the impending Anderson patent to be broad enough to cover this article. Plaintiff now claims that during the course of the negotiations Kaiser surreptitiously developed this unitary product which became the Unitab from valuable information obtained from plaintiff and is guilty of a species of fraud. It claims that its disclosures of increased production formed the only information available to Kaiser upon which to base Kaiser's Unitab development. The error in this contention has already been the subject of comment. The Unitab was Kaiser's own independent development. [3681]

While keeping its discussions and disclosures in the context of the radial shim, plaintiff attempted to negotiate a licensing contract with Kaiser which would be broad enough in its terms to subject the Kaiser product to licensing provisions including royalty payments. Plaintiff's conduct is only consistent with an arms'-length negotiation. In a negotiation of this character, disclosures are made in the hope of consummating an agreement. Failing of this objective, disclosures are not confidential unless expressly so understood or the circumstances are such that the opposing party is, or should be, aware that they are confidential. There was no express condition of confidence nor were the circumstances such as to indicate to defendants that a confidence was intended to be broader than the Anderson radial short shim concept, which alone was the subject of the discussion. The radial shim concept is not the subject of this lawsuit.

A letter dated February 1, 1956, from Davis of Kaiser to Schoonover of Monolith, says in its two most important parts, "... We certainly make no claim that the material on the drawings in question originated

with us . . .,” and, “. . . your disclosures to us in regard to the Anderson devices have been confidential. . . .” The drawings were the drawings of radial short shims. The Anderson devices were unquestionably the same radial short shims shown on the drawings or the several versions of Anderson’s radial short shims known to Kaiser. In the context of the correspondence and all relevant surrounding circumstances, this letter did not refer in any way to short shims in the ring. [3682]

Plaintiff has tried to cast this letter in the role of a deceitful act designed to lull plaintiff into a sense of security, while with complete duplicity defendants proceeded to stall the license negotiations and develop the Unitab behind plaintiff’s back. This version necessarily demands an explanation of Rentsch’s memorandum of the June 9, 1955, license negotiation meeting which recites that he and Anderson were shown a sketch of a metal encased insulated brick recently installed at Victorville and “F. J. Anderson and I separately concluded infringement, but made no comment.” While Rentsch testified that he thought that he could rely upon the patent for protection, the explanation tendered for this conduct is that Rentsch and Anderson thought that Kaiser was simply engaging in experiments in aid of Monolith’s development which it knew Monolith intended to patent and then perhaps license to Kaiser. The alternative explanation for showing the sketch is that Kaiser, by an early and full disclosure of its own development, sought to avoid later misunderstanding as to what should be subject to license.

The record shows that Rentsch confessed his own and Anderson’s lack of candor on behalf of plaintiff on June 9, 1955. By contrast, on the face of things,

Kaiser's conduct is completely consistent with straightforward business practice. The adoption of plaintiff's version would compel the acceptance of a strained explanation of Rentsch's conduct and an out-of-context construction of the February 1, 1956 letter. Among the out-of-context constructions of the letter which plaintiff urges upon the Court is that Kaiser concedes that the idea of spacing came from plaintiff because the drawings show a radial shim spaced from the shell. For these reasons, among others, [3683] the Court believes that in the license negotiations there was no mention of or disclosures by plaintiff regarding the short shim in the ring and that the negotiations were at arm's length and that any disclosures which were made were with reference to the radial short shim and were induced by plaintiff's desire to effect a license contract and not by trust and confidence in Kaiser as a faithful assistant. Kaiser was not guilty of any conduct which might be characterized as a species of fraud.

THE CONFLICTING EVIDENCE

As is to be expected, the position of plaintiff rests upon evidence which conflicts with the foregoing recitation of facts. In light of the enormous expense of preparation of this case for trial with its elaborate and extensive discovery, its length, the bitter contest of the trial, the voluminous record and the endless exhibits, the greatest care has been taken to exhaustively review the record, examine exhibits and consult the briefs of the parties. No different view of the facts than that already expressed is compelled by the exhibits taken collectively or individually, but in context with the others.

The conflict which exists in the evidence arises from the oral testimony of certain of plaintiff's witnesses. If their testimony be accepted, then a different light is shed upon certain of the exhibits. But, on the other hand, the documentary and physical evidence as a whole casts doubt upon the conflicting testimony and is only consistent with the facts as stated. There is a multitude of what in some circumstances might seem to be small conflicts between the documentary and physical evidence and the conflicting [3684] testimony which in sum amounts to serious discrepancy.

The conflicting testimony appears unreliable in some instances when compared with the documents and physical exhibits and in others when compared with the conduct of the parties, or both. In other instances, it appears unreliable because of internal conflict in the testimony itself or because it is inconsistent with prior statements in depositions or in conflict with plaintiff's answers to interrogatories. Some of the conflicts appear from the opinion where the position of plaintiff has been expressly rejected. Abundant examples are pointed to in the briefs of defendants.

More important from the standpoint of this memorandum of opinion than additional examples, because it could not be expressed by counsel, is the Court's expression of the witnesses from their demeanor and appearance as they testified at the trial.

Careful notes of almost one thousand pages were taken by the Court and they expressly reflect the Court's impression of the witnesses as they testified. Of all of the witnesses relied upon by plaintiff, Lloyd Rentsch is first in importance. Rentsch had charge of the patent program of plaintiff. He represented plaintiff in the

license negotiations with Kaiser and was the chief negotiator. He was a consulting geologist by profession and had little experience in the field of manufacturing cement.

On direct examination his testimony was well organized, direct and to the point. The direct examination on the subject of confidential disclosures commenced on [3685] November 15, 1963 in the afternoon and was concluded on the next Court day, which was November 20, before the morning recess. Cross-examination commenced and even before the morning recess was taken, the character of Rentsch's testimony changed. His confident summary of what had taken place at the license negotiation meetings of June 9, 1955 and July 5, 1955, which he had stated to be complete, commenced to be very materially expanded. The Court called this to the attention of the witness and urged him to try to exhaust his memory of these meetings in order to avoid an adverse impression on the Court. See the transcript, commencing on page 1786 and concluding on page 1788.

The witness' testimony became increasingly characterized by long pauses between the question and the answer. In the afternoon of the same day, the Court stated to the witness that the Court did not wish to keep the witness from thinking, but urged him to answer as promptly as he could. See page 1886 of the transcript. The witness sometimes adopted a very technical attitude toward the questions asked, making it difficult to proceed. An example may be found in the transcript, commencing at page 10396 to 10398. Another instance of the record indicating the long pauses of the witness appears at page 11338 to 11339, inclusive, of the transcript.

In addition to what the transcript reflects, the notes of the Court indicate from time to time that in the opinion of the Court the witness was being very evasive, that he was getting super technical and couldn't understand plain questions, and that he did not appear to be telling the truth. Later, when he was again being questioned by [3686] plaintiff's counsel, the Court noted, "Now that he is testifying for Pl., he has no hesitancy in his testimony—It all goes very smoothly."

Mr. Bechtold testified as an expert witness concerning the ex parte test of short longitudinal shims compared with shims of the same design, but with shim to shell contact. The Court noted on two important occasions that the witness was evasive.

During the testimony of Mr. Johnson of Monolith, the Court noted that the witness was evasive and reluctant and on the spot because of the danger of jeopardizing his position. His memory was not good and he became confused as to sequence of events. He elaborated at other times, completely out of proportion to the lack of memory he exhibited on matters which appeared to be of equal import and likelihood to be retained on one's memory.

Mr. Paul Schoonover, Chief Engineer for Monolith Portland Cement, was also on the spot for the same reason Mr. Johnson was. The Court noted, "He simply doesn't remember anything. This seems incredible in view of the fact that he is one of the 4 or 5 men who run the company." The Court also noted that he seemed "to finally get a cue when the important question comes up."

Mr. O'Brien was the patent attorney employed by plaintiff to process the patent in suit. Ten separate notations were made in the notes of the Court to the effect that he made a bad impression as a witness, that his answers were evasive, that he was covering up to protect himself as much as the plaintiff, that he was not a reliable witness and on certain instances that his testimony at that point was not to be believed. [3687]

On the other hand, Mr. Bert Oberg, General Superintendent of Operations for Monolith and Laramie, earned the respect of the Court. He was also on the spot, so to speak. He was recalled on April 22, 1964 by plaintiff and answered two questions. First, he had an opinion that the short shims affected the production at Laramie and, second, that they increased the production by 100 barrels per day and doubled lining life over previous linings of all kinds. The Court believes that other evidence establishes that his opinion as to increased production is in error and that the extended lining life was possibly due to other improvements in operation and to the transverse orientation of the radial shims which have never been used by Kaiser.

To the extent that the testimony of plaintiff's witnesses is in conflict with this opinion, the conflict represents a lack of confidence in that testimony. It is not as reliable as the evidence opposed to it and the inferences to be drawn therefrom. It must be acknowledged that all of the important witnesses at this trial were subjected to the most careful and detailed direct and cross-examination by counsel from both sides. The examination was exhaustive, sometimes over done, but there were no instances of consequence, if any at all, where any witness was treated unfairly. In apprais-

ing the credibility of each witness, due consideration has been given to the strain to which he was subjected and his responsibilities to the respective parties, in addition to the usual elements which go into the appraisal of the worth of oral testimony. [3688]

The foregoing statement and analysis of the facts is a sufficient basis for determination of the factual issues of the first five counts of the complaint. As reflected in the pretrial statement, there are a number of claims included in several of the counts.

RESOLUTION OF FACTS IN TERMS OF THE PRETRIAL ORDER—COUNTS ONE THROUGH FIVE

Count One, Claim 1: The “certain valuable refractory processes, structures, articles and devices” conceived and developed by F. J. Anderson, which were communicated to defendants, all related to the radial shim development of plaintiff. None of these refractory processes, structures, or devices were ever employed by defendants, or any of them. No valuable information belonging to or originating with plaintiff was employed by defendants, or any of them, in the development of Kaiser’s Unitab, or any of its predecessors in development. The only confidential relationship between plaintiff and defendants related to plaintiff’s radial shim development. This confidential relationship was not violated by defendants, or any of them.

Count One, Claim 2: Plaintiff did not disclose the Anderson invention to defendants, or any of them, except the radial shim development of plaintiff. No false representations were made to plaintiff by defendants, or any of them, and to the extent that said

invention was disclosed by plaintiff to defendants in confidence, the confidence was kept by defendants, and each of them. None of the information disclosed by plaintiff to defendants, or any of them, was used to obtain the Davis patent. [3689]

Count One, Claim 3: Any teachings of the Anderson invention, or valuable information disclosed by plaintiff in confidence to defendants, or any of them, is not being used by defendants, or any of them, in competition with plaintiff. Defendants, and none of them, are unfairly competing with plaintiff by the use of the information and disclosures referred to above.

Count One, Claim 4: The conduct of defendants, and each of them, toward plaintiff does not constitute a variety of fraud of any kind and applicable statutes of limitation are not tolled on this account. The conduct of defendants which plaintiff relies upon as the gravamen of its claims against defendants, and each of them, with respect to which plaintiff claims that applicable statutes of limitation are tolled was disclosed by defendant to plaintiff and fully known by plaintiff on and after June 9, 1955.

Count Two: The Davis patent is not a patent upon an invention of plaintiff. The Davis patent does not incorporate information obtained from plaintiff.

Count Three: No disclosures made by plaintiff to defendants, or any of them, have been violated or employed in obtaining the Davis patent, nor is the Davis patent in suit. There is no occasion for declaratory relief.

Count Four: This count relies upon the same averments of fact as Count One. The factual determination of Count One is equally applicable to this Count,

No valuable information disclosed by plaintiff to defendants, or any of them, was disclosed to third parties. [3690]

Count Five, Claim 1—Express Contract in Writing, Part a: There was no express contract in writing between plaintiff and defendant Kaiser relative to the subject matter of this litigation and, specifically, to pay to plaintiff all or any of the profits of any sales which defendant Kaiser might make of Anderson shims to third party companies. The negotiations with respect to this subject were abortive and never ripened into agreement. At no time has defendant Kaiser furnished Anderson shim articles to its cement industry customers. The articles which plaintiff claims to be Anderson shim articles were independently developed by Kaiser.

Count Five, Claim 1—Express Contract in Writing, Part b: At the request of plaintiff and on plaintiff's order, defendant Kaiser manufactured and delivered to plaintiff certain radial shims. No feature, idea, or application of such shim has been appropriated by defendant Kaiser while or after filling plaintiff's order for such shims. Defendant Kaiser has not made or sold shims of their own equivalent to the shims ordered by plaintiff from defendant Kaiser. Short shims placed between bricks laid in rings in a cement kiln are not equivalent to radial short shims placed between rings of brick in the kiln. The only common feature of both shims is that each is installed in such a manner as to leave a space between the shim and the shell. Defendant Kaiser did not learn of the practice of leaving such space from plaintiff or ever agree with plaintiff in writing or otherwise that it would not man-

ufacture or sell shims designed to be installed in a cement kiln in such a manner as to leave a space between the shim [3691] and the shell. Plaintiff first became aware that defendant Kaiser had manufactured and sold such shims on June 9, 1955, knowing at that time that defendant Kaiser claimed to have developed such product independently of plaintiff and had no intention of paying plaintiff anything on account of the manufacture and sale of such articles.

Count Five, Claim 2—Oral Express Contract: No express oral contract came into existence between any of the parties on June 9, 1955, or upon any previous or subsequent date on the subject of plaintiff's technical information or trade secrets. The negotiations of the parties were abortive and there was never a meeting of the minds upon any part or all of the subject matter under discussion. Specifically, there was no express agreement to pay plaintiff for the use of what plaintiff has characterized as technical information or trade secrets or simply valuable information, either upon the basis of the reasonable value thereof, or otherwise. Whatever information not already known to defendants which was received from plaintiff by defendants was never utilized by them, or any of them.

Count Five, Claim 3—Implied in Fact Contract Part a: On June 9 and July 5, 1955, defendant Kaiser and plaintiff participated in negotiations with a view to entering into a written agreement of license to practice the patent which the parties anticipated would issue to Anderson and be assigned to plaintiff. Plaintiff disclosed to defendant Kaiser certain features of said impending patent, which features related to the Anderson concept of employing a radial shim between the rings

of brick in a [3692] cement kiln instead of shims between bricks in the ring of bricks in the kiln. The radial shim was to be positioned so as to leave a space between the shim and the kiln shell. Plaintiff also disclosed information which purported to reflect the performance characteristics of such kiln lining construction and its advantages over other types of kiln lining construction. Information on this subject, which was received by defendant Kaiser on or before said dates and during the course of such negotiations and not previously known to Kaiser, was received under circumstances from which it may be inferred that the parties intended that if defendant Kaiser used such information, it would pay the reasonable value of such use to plaintiff. None of the information so received by defendant Kaiser was ever used by defendant Kaiser and defendant Kaiser has never repudiated or violated such implied in fact contract.

Count Five, Claim 3—Implied in Fact Contract Part b: What has been said in reference to Part a is applicable to Part b. The date of February 1, 1956, is a date encompassed by the negotiations for license and the occurrences of said date which were disclosed by the evidence were a part of or collateral to such negotiations.

Count Five, Claim 4—Implied in Law Contract: The refractory articles which were sold to the general public by defendant Kaiser during the time mentioned in this claim, October-November, 1956, did not incorporate any element or elements of plaintiff's trade secrets when used for their designed purpose. The only feature of plaintiff's trade secrets or valuable information which plaintiff disclosed to or entrusted to de-

fendant Kaiser which is common both to the disclosures made by plaintiff to defendant Kaiser and the Kaiser refractory articles, which are the [3693] subject matter of plaintiff's complaint, is that in kiln linings constructed according to the information disclosed by plaintiff a space would be left between the shim and the shell. The fact that such a space could be left and that it inhibited the radiation of heat from the shell through the shims was already known to defendant Kaiser. Defendant Kaiser did not misappropriate any of plaintiff's trade secrets or information and did not become unjustly enriched by the sale of its refractory articles which utilize a shim which does not touch the kiln shell. Defendant Kaiser violated no trust. Furthermore, defendant Kaiser made no field trials of any product employing trade secrets or valuable information belonging to plaintiff. The use of defendant Kaiser's products by its customers, which use resulted in a kiln lining in which there was a space between the shim and the shell, were uses which resulted from sales of defendant Kaiser's products and were not field trials or experiments conducted on behalf of defendant Kaiser.

Count Five, Claim 5: The Davis to Schoonover letter of February 1, 1956, which is quoted in part on page 21 of the pretrial order, is a letter which refers exclusively to radial shims and is out of context to any other reference. It was written without ulterior motive and without secret intent and not with the intention of inducing a false sense of security in plaintiff. Plaintiff did not rely upon such statement or the letter as a whole as a disclaimer of adverse interest in short-shimmed articles used in lining cement rotary kilns. Plaintiff [3694] already knew as of June 9,

1955, that defendant Kaiser had developed such an article and had sold the same to one of its customers. Plaintiff knew that the letter was a disclaimer of adverse interest in radial shim use only and in the context of the letter, as a reply to one by Schoonover of Monolith, and in context with the surrounding relevant circumstances, plaintiff could not have reasonably relied upon the letter to have a broader application than herein stated. No fraud was practiced upon plaintiff by defendant Kaiser. No relation of trust and confidence existed between the parties, except with regard to plaintiff's radial shim practice which was disclosed to defendant Kaiser first as a supplier of the shims and subsequently in arms'-length license negotiations. Plaintiff concealed from Kaiser its intent to obtain a patent upon short shims for longitudinal placement to the kiln axis in the kiln as distinguished from the transverse positioning of the radial shim. The manufacture and sale of short-shimmed kiln liners by defendant Kaiser began in June, 1955, or before, and not in October of 1956, as averred by plaintiff and none of such sales constituted the unauthorized use of plaintiff's valuable property rights. [3695]

PATENT INFRINGEMENT COUNT

The Court now turns its attention to the sixth count for patent infringement.

The authorities indicate that should the patent be obviously invalid, this determination should be made in the public interest, even though the accused device does not infringe. *Patent Scaffolding Co. vs. Up-Right, Inc.*, 194 F. 2d 457 (9th Cir., 1952). A judgment of non-infringement and non-validity is accept-

able, but in no event should a judgment hold a patent valid, but not infringed. *Bergman vs. Aluminum Lock Shingle Corp. of America*, 251 F. 2d 801 (9th Cir., 1958); *Kemart Corp. vs. Printing Arts Research Laboratories, Inc.*, 201 F. 2d 624 (9th Cir., 1953); *Patent Scaffolding Co. vs. Up-Right, Inc.*, *supra*; *Altwater vs. Freeman*, 319 U.S. 359, 363, 63 Sup. Ct. 1115, 1117, 87 L. ed. 1450 (1943).

Various routes have been followed in an effort to comply with what the Supreme Court has commended as the better practice in cases involving the issues of validity and infringement. The decisions which have resulted, taken together, suggest that where the public interest would be served by a determination that a patent is invalid, this issue should be inquired into fully as having the greater public importance. On the other hand, where there is no infringement and invalidity is not obvious, the public interest is better served by not adjudicating matters which are unnecessary to a decision which can rest more easily upon lack of infringement.

The public interest will be served by a declaration of invalidity if the patent is "obviously invalid." On the other hand, if it is not obviously invalid and such [3696] a determination involves the careful consideration of a conflicting evidence or presents a close question of law when all facts are considered, a determination of this question in face of lack of infringement of the patent is unnecessary. *Patent Scaffolding Co. vs. Up-Right, Inc.*, *supra*.

The public interest will be best served in this case by inquiry into the validity of the patent claims in suit

because every purchaser of the Kaiser Unitab is a potential defendant in some other lawsuit as well as manufacturers and users of similar products made and sold by other refractory producers. Moreover, as will subsequently appear, the Court finds that the claims in suit are infringed if they are valid.

VALIDITY

The scope of the claims in suit (3, 4, 7 and 8) is such that the art to which the subject matter of the claims pertains or with which it is most clearly connected within the meaning of 35 U.S.C. §§ 103 and 112, embraces all refractory lined rotary kilns. Information concerning the construction and operation of refractory lined rotary kilns used for one purpose is applicable or closely analogous to such kilns used for other purposes.

The date of invention must be taken to be September 14, 1953. There is insufficient proof to establish an earlier date, but the purchase order for manufacture of radial shims for use at Laramie indicates a conception complete enough to put into practice. At the time of the Johnson-Putnam telephone conversation, Anderson's idea had not reached this stage and the evidence does not pinpoint any time between these two events when it did. [3697]

Refractory kiln linings which fall within the claims in suit were known and used prior to the date of Anderson's invention at the Mathieson plant, Saltville, Virginia, the Cape May, New Jersey, plant of Northwest Magnesite and at the Ideal Cement Company plant at Ada, Oklahoma. The defense to the proof concerning the foregoing consists of an assertion that defend-

ants have not met their burden of proof and that these uses were secret uses. Defendants have well sustained their burden of proof, measured by the various citations of authority tendered by plaintiff, and the evidence is convincing. Plaintiff's position regarding secrecy is that any use which is not a "public" use is a secret use. The term "public" is not used in the statute. There is no affirmative requirement that the use to which the statute refers be a "public" use in the sense that such use need be known to the general public or even the potentially interested segment of the public. A deliberate, intentional and high degree of secrecy must be maintained to establish that the use was secret. *Solo Cup Co. vs. Paper Machinery Corp.*, 144 U.S.P.Q. 729 (E.D. Wis., 1965); *Metallizing Engr. Co. vs. Kenyon Bearing & A.P. Co.*, 153 F. 2d 516 (2d Cir., 1946), Cert. den. 328 U.S. 840; *Gillman vs. Stern*, 114 F. 2d 28, 31 (2d Cir., 1940); *E. W. Bliss vs. Southern Can Co.*, 251 F. 903, 907-908 (Md., 1918), aff'd on opinion of District Court, 265 F. 1018 (4th Cir., 1920). A private use is not a public use any more than a secret use is a public use, but it is clear enough that a private use is not necessarily a secret use. The uses referred to were not secret uses.

Plaintiff argues that to constitute anticipation, the prior use must not only be structurally the same as [3698] that described in the patent claims in suit, but the purpose for which it was constructed must be the same and the results noted must be the same. This is an erroneous concept of the law. An inventor is granted a patent upon his device, not upon the purpose for its employment or upon the results of its use. When the result is a necessary consequence of a specific

structure which was deliberately intended, it makes no difference that the purpose of a prior use or the intended result was different from the purpose and intended result which a later inventor had in mind. The structure being the same and the results necessarily being the same, the earlier use anticipates the later patent and invalidates it. See *Celite Corp. vs. Dicalite Corp.*, 96 F. 2d 242 (9th Cir., 1938); *H. K. Regar & Sons vs. Scott & Williams*, 63 F. 2d 229 (2d Cir., 1933).

In this case it is argued that the anticipations only had in mind an attempt at a more insulated lining, while Anderson's conception included, in addition, an increase in production and longer lining life. It is difficult to understand how Anderson could have intended his invention to have increased production and at the same time find such an increase a surprising and unanticipated result. But aside from this, plaintiff argues that the anticipating uses mentioned above did not involve cement kilns and, therefore, the results noted by Anderson were not observed. However, Anderson's patent is not confined to cement kilns and the claims in suit read squarely on the uses mentioned. Therefore, no argument can be made that they are not anticipatory in that type of use. Nor can plaintiff now successfully urge that Anderson's invention is in a different art when by his [3699] own choice and definition of the relevant art Anderson included all refractory lined rotary kilns.

The evidence also shows that the claims in suit read upon a refractory article manufactured by General Refractories in 1940, if a kiln lining should be constructed of such articles. In 1948 perforated shims were used with basic brick at Southwestern Portland Ce-

ment Company. The claims in suit read upon such structures. Both of these uses were anticipatory uses.

A patent is invalid if the differences between the subject matter patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art. See 35 U.S.C. §§ 103 and 102(e). The claims in suit are invalid because the subject matter as a whole would have been obvious from the prior art patents of Longacre, Heuer '141 and Wilkins.

Anderson's principal objectives were to combat high shell temperatures and to prevent longitudinal cracks in the lining which he reasoned might contribute to early lining failures. The surprisingly great increase in production and lining life claimed to have been the consequence of the invention were unexpected or unanticipated and it was so represented to the patent office. While Anderson had equated heat loss through the shell with loss of production rather than with increased fuel consumption, the evidence does not show that the two expressions refer to different conditions. Even the expression "loss of production" does not suggest that if the condition causing the loss were rectified an improvement in production would [3700] exceed the improvement which would be directly attributable to the heat saved. A more efficient kiln would result from the conservation of heat within the kiln and "kiln efficiency" is not an expression that connotes an increase in production in excess of what might be expected from the conservation of a small amount of heat.

Since the short shim in the ring does not contribute to the objective of elimination of longitudinal cracks,

or combating kiln ovality either, the function of the short shim in the ring is to reduce heat loss through radiation. With this objective in mind, any person ordinarily skilled in the art would learn from the prior art that a shim which did not touch the shell would accomplish the purpose. The means of constructing a short shim in the ring lining by bending a portion of the shim over the hot face of the brick to suspend it from contact with the shell would readily occur to any mechanic. The consequences of such construction in a cement kiln would occur and in fact could not be avoided. No patent can be validly granted for the recognition of such results, even though they be entirely unexpected. The structure having been made obvious by the prior art for the accomplishment of one undoubtable result, the fact that there may also be other necessary results which had not been foreseen is irrelevant.

The brick shape shown in the drawings of the Wilkins patent which most nearly resembles the type of brick used in a cement kiln would produce a small circle the size of a sewer pipe as argued by plaintiff. However, the modification of brick shapes to conform to the requirements of any given kiln diameter is an ordinary, everyday task of the refractory manufacturer. The shape shown in [3701] the drawings is, therefore, of no consequence and would be so recognized by a person ordinarily skilled in the relevant art.

The evidence clearly shows that the claims in suit are based upon new matter and are, therefore, not entitled to the earlier filing date of the original application. More than one year prior to the insertion of such new matter into the application, there were public uses of kilns constructed in the manner defined in the claims

in suit and there were public sales of the refractory products and steel shims necessary to construct such linings. The uses at Saltville, Cape May and Ada have already been discussed and they constitute such public uses as to invalidate the claims in suit. These public uses occurred more than one year prior to the date of filing the original application.

After filing the original application and more than one year before the insertion of the new matter there were other intervening public uses and sales. The intervening uses occurred at the cement plants of Riverside and Southwestern near Victorville, California. The basic brick with short shims used to construct linings such as described by the claims in suit were on sale at the same time and before. The claims in suit are therefore invalid because the invention was in public use or on sale in this country more than one year prior to the date of the application of the patent within the meaning of 35 U.S.C. § 102(b). *Tucker Aluminum Products, Inc. vs. Grossman*, 312 F. 2d 293 (9th Cir., 1963); *Magee vs. Coca-Cola Company*, 232 F. 2d 596, 600 (7th Cir., 1956); *King Gun Sight Company [3702] vs. Micro Sight Company*, 218 F. 2d 825 (9th Cir., 1955); *Rosaire vs. Baroid Sales Division*, 218 F. 2d 72, 75 (5th Cir., 1955); *Whiteman vs. Matthews*, 216 F. 2d 712 (9th Cir., 1954; *Bourne vs. Jones*, 207 F. 2d 173 (5th Cir., 1953), adopting opinion below, 114 F. Supp. 413, 419-420, cert. denied, 346 U.S. 897 (1953); *Electric Storage Battery Co. vs. Shimadzu*, 307 U.S. 5, 20 (1939).

Plaintiff contends that the uses referred to are not public uses, but were in fact either secret or experimental uses. Neither of these contentions can be sup-

ported by either the evidence or the law. The evidence clearly shows that all of the uses referred to were to produce a commercial product. There is no evidence of a deliberate effort to shroud the uses in secrecy. The uses were in each case in the ordinary course of business with no secrecy beyond normal factory security of the kind necessary to prevent accidents, thefts of physical property and to promote efficiency.

The Riverside and Southwestern installations are said by plaintiff to be experimental and to therefore come within an exception to Section 102(b). If the installations be experimental, they would be either Kaiser's experiment or the experiment of the users. Plaintiff contends that Kaiser was experimenting to determine whether it should go into production with short-shimmed articles or to aid plaintiff in the development of the invention. This has been alluded to in an earlier part of this Memorandum of Decision. The evidence does not support this view. Kaiser made regular sales of its product to Riverside and Southwestern for profit. It was interested in the performance of the linings, but this can be said of all linings [3703] composed of Kaiser refractories.

The first short shim linings used by these companies were being tried out to determine whether more should be construed in the same way. However, this is not an experiment to develop a machine or device or to test a concept of a machine or device for the purpose of proving or improving it. The experimental use doctrine applies to experiments conducted by the inventor to enable him to perfect his inventions before applying for a patent. The use or sale by third parties of what constitutes the claimed invention is not an experimental

use within the exception. *Bourne vs. Jones, supra*. In the sale of its refractories to Riverside and Southwestern, Kaiser was acting on its own behalf and not on behalf of plaintiff and at that time occupied no special relationship with plaintiff concerning the product in question. *Lorenz vs. Colgate-Palmolive-Peet Co.*, 167 F. 2d 423, 429-430 (3rd Cir., 1948).

From what has already been said, both in the first part of this memorandum and from what has been said about the invention having been anticipated and having been obvious from prior art patents, it is apparent that the essential element of invention is lacking. As has often been said, the public is entitled to benefit from such advances as normally flow from the application of ordinary skills of one in the trade to the existing fund of public knowledge, without granting special concessions. *Griffith Rubber Mills vs. Hoffar*, 313 F. 2d 1 (9th Cir., 1963). If the claims in suit describe an advance in the art, it is no more than the normal flow from the application of ordinary skills of one in the trade to the then existing fund of public knowledge. [3704]

The file history of the Anderson patent makes it abundantly clear that the Board of Appeals overruled the Examiner and granted the patent upon the representations that the invention resulted in an unexpected and surprising increase in production. The evidence in the case at bar establishes that these representations were false. No increase in production of any magnitude has been identified as due to the invention as delineated by the claims in suit. The structure defined by the claims in suit does not perform some function which is new and different from short shims which have been

used before or which have been described in the prior patent art. Cases in this Circuit point out that for a combination patent to be valid some new or different function or unusual or surprising consequences must result. *Kwikset Locks, Inc. vs. Hillgren*, 210 F. 2d 483 (9th Cir., 1954); *Photochart vs. Photo Patrol*, 189 F. 2d 625 (9th Cir., 1951).

As already pointed out, the commercial success of the Unitab is due principally to its convenience which is a composite of a number of features, most of which are not related to the invention described by the claims in suit. For this reason the commercial success argument which heavily influenced the Court in *Twentier's Research, Inc. vs. Hollister Incorporated*, 319 F. 2d 898 (9th Cir., 1963), is ineffective in the case at bar. The other significant point made in the last cited case was that the invention worked to produce the results claimed for it. The Anderson invention defined by the claims in suit has only been shown to work to the extent of reducing heat loss. It was not proved that kiln efficiency was improved except [3705] to the extent heat loss was reduced. It was not improved in the context in which plaintiff uses the term, "kiln efficiency." So from this standpoint, the feature which is supposed to distinguish it from the prior art, the invention did not work.

The claims in suit are unenforceable by reason of the fraud practiced on the Patent Office, consisting of: (a) deliberate concealment of statutory bars; (b) falsehoods in the petition to make special; (c) misrepresentations as to "unexpected results;" and (d) false statements of novelty in the Wicken affidavit. The Court has adopted the finding proposed by defendants

on the subject of fraud. Most of the subject matter referred to in the finding has already been discussed in great detail. Further repetition would serve no useful purpose.

Plaintiff urges the Court to view the alleged misrepresentations in the light of the knowledge of the parties at the time the representations were made. Undoubtedly, this is the only proper approach. When viewed in that light, and taken as a whole, they skirt the known truth. An acceptable explanation may be plausible when each small point is isolated from the others, but when the picture is viewed in its entirety, the fact that the Patent Office was not told the then known truth is inescapable.

The presumption of validity of the patent has been rebutted and it appears to the Court that the claims in suit are invalid for the reasons stated. [3706]

INFRINGEMENT

Turning now to the question of infringement, none of the defendants themselves ever employed the structure defined by the claims in suit. However, Kaiser manufactured certain accused devices and Kaiser and its agents on behalf of Kaiser and acting within the scope of their employment supplied information and instructions for the installation of its accused product in rotary kilns. When so installed, the resulting structure would infringe the claims in suit. Kaiser was therefore in the category of a contributory infringer. The individual defendants did nothing in their individual capacities which would put them in the same position as Kaiser. On this basis, the Court finds that the claims in suit were infringed by Kaiser, but that the

same claims are invalid for the reasons stated. The claims in suit were not infringed by the individual defendants in their individual capacities.

ATTORNEYS' FEES

This is an exceptional case within the meaning of 35 U.S.C. § 285 and reasonable attorneys' fees should be awarded to defendants. The plaintiff obtained its claims in suit through fraudulent representations to the Patent Office. The litigation was unduly and unnecessarily prolonged. Plaintiff was reluctant to disclose exactly what claims plaintiff intended the various counts of the complaint to embrace. Eleven days in open Court accounting for 927 pages of transcript, plus two days in chambers were required to arrive at a pretrial order. Even then the objective of pretrial, to reduce and pinpoint the [3707] issues was not accomplished due to plaintiff's apparent desire to maintain a maximum mobility. This attitude continued throughout the trial, making it difficult to understand the object of plaintiff's examination and to rule on objections or admissibility of evidence. This unduly prolonged the trial.

Plaintiff took extreme positions and adopted strained constructions which unduly prolonged the trial. A separate hearing on the amount of reasonable attorneys' fees to be awarded will be held and evidence will be admitted on this issue.

DATED: June 6, 1966.

/s/ ALBERT LEE STEPHENS, JR.
United States District Judge
Albert Lee Stephens, Jr. [3708]

Order Re Objections to Plaintiff's Interrogatories to Defendants Re Attorneys' Fees.

United States District Court, Central District of California.

Monolith Portland Midwest Company, a Nevada corporation, Plaintiff, vs. Kaiser Aluminum & Chemical Corporation, et al., Defendants. Civil No. 553-58-S.

Filed Oct. 17, 1966.

The above entitled case was decided in favor of defendants after a lengthy trial by memorandum dated June 7, 1966. The Court awarded attorneys' fees in favor of defendants leaving the question of the amount to be determined after a further hearing.

On July 15, 1966, defendants filed application for an order fixing the amount of attorneys' fees. The Court set August 8, 1966 as the date for hearing. On July 29, 1966, at the request of plaintiff's counsel, the hearing was continued to October 19, 1966.

On August 11, 1966, plaintiff associated new counsel and apparently charged said new counsel with responsibility for further proceedings. On August 18, 1966, a further hearing was had at which time the Court urged counsel for both sides to expedite the matter by informed [4510] cooperation in the production of documents relative to services of attorneys employed by defendants in the defense of the action. Pursuant to this request, a great volume of material was made available to counsel for plaintiff for inspection and copying and records of the time expended by attorneys employed by defendants were furnished to counsel for plaintiff.

On September 1, 1966, plaintiff served upon defendants 108 interrogatories, many of which were broken

down into numerous subdivisions. These were all preceded by a definition of terms further expanding the interrogatories. Plaintiff seeks a myriad of documents and a breakdown of the services rendered which is so elaborate that compliance would be virtually impossible and of little value to a decision of the issue. It is not customary for attorneys to keep records which would be subject to minute division and subdivision. The keeping of records in such detail would serve to increase the cost of legal services by requiring lawyers to spend as much time in record keeping as in productive work. The voluminous files in this case are themselves a source of most of the information essential to a determination of what the respective lawyers did at any particular time. Furthermore, the plaintiff's attorney who tried the case has first-hand knowledge of the posture of the case at any given time.

Duplication of effort is not entirely unavoidable. The greater the magnitude of the case, the more likely is the possibility of duplication, if for no other reason than the fact that more than one opinion on an important point may be prudent. The Court being intimately familiar with the case is in a position to recognize excesses of duplication of effort, if such there be. Moreover, the [4511] nature of legal research is such that many legal problems must be examined if only to produce assurance that they are not to be in issue. Lawyers are charged with the duty of exploring various avenues of defense, even if they lead to blind alleys.

It must be borne in mind that plaintiff's original counsel, who is still of record, filed this action and actively guided and took part in all of its phases and personally conducted the trial for plaintiff. He is ac-

quainted with the proceedings in sufficient detail to be able to identify the active participation of all lawyers who appeared and took part in the preparation and trial of the action and to be able to recognize what type of research and preparation was required from time to time. Plaintiff is therefore quite well informed in more than just a general way concerning the work which should have been required in defense and with the material already furnished by defendants can point with some particularity to duplication of effort or wasteful preparation by the various counsel of defendants. Interrogatories could therefore be directed with considerable particularity. However, even after the Court had suggested to plaintiff's counsel that the interrogatories might be modified to avoid the obvious burden which their present form imposes and to sharpen and particularize the inquiries, plaintiff's counsel refused to do so and insisted upon a ruling upon the objections to the interrogatories as they were presented notwithstanding the material received in the meanwhile from defendants and the opportunity to inspect and copy additional records of defendants.

In resolution of an issue such as here presented, it has always been recognized that the Judge is acquainted [4512] with the manner lawyers generally keep records, the legal work required to produce a given work product in Court, and generally the standards of legal compensation for attorneys of like standing in the community for cases of varying complexities and the results achieved. In this instance, the Judge was engaged in the general practice of law for twenty years before taking the bench and has served seven years on the bench. Taking these matters into consideration, the presentation need not include the details of evi-

dence which might be required for the presentation of a like case to a jury. Furthermore, the Judge also presided over the bulk of the discovery process and became familiar with the details of it all and sat through the lengthy trial of the case.

All of these considerations taken into account, defendants' objections are well taken as a whole. The interrogatories were untimely. They were and are oppressive and burdensome in the extreme. They demand information which has little probative value. The Court is not obliged to itself re-tailor interrogatories of this nature, especially since plaintiff has been invited to make revisions and refused after the Court outlined its views in open Court. The interrogatories are in some instances entirely irrelevant. Some obviously seek to relitigate subject matter already decided. Taken as a whole, they are irrelevant even though portions of the questions are relevant.

Considered in the light of these unduly protracted proceedings and the way that they have been conducted, the Court cannot escape the impression that they were submitted in large part for the purpose of accomplishing delay.

IT IS ORDERED that the objections of defendants be sustained to all of the interrogatories of the plaintiff [4513] except the following:

Interrogatories No. 49, 50, 51, 52, 65(a) and (c), 66(a)-(f), inclusive, 68, 70, 81, 82, 98 and 102.

DATED: October 10, 1966.

/s/ ALBERT LEE STEPHENS, JR.
United States District Judge [4514]

**Supplemental Memorandum of Decision
Re Attorneys' Fees.**

United States District Court, Central District of California.

Monolith Portland Midwest Company, a Nevada corporation, Plaintiff, vs. Kaiser Aluminum Chemical Corporation, et al., Defendants. Civil No. 553-58-S.

Filed Jan. 6, 1967.

In the Court's Memorandum of Decision, the point was made that this is an exceptional case within the meaning of 35 U.S.C. §285 for the reasons stated in the memorandum. It is also an exceptional case from another point of view. The way the case was presented by the plaintiff from the discovery stage through the motion and pretrial stage and throughout the trial itself made it impossible to separately treat the evidence which was relevant and material to the patent count (Count Six) and its defenses from the evidence relevant and material to the other counts. While this creates unnecessary difficulty in consideration of the issue of allowable attorneys' fees, complete confusion is not a necessary result.

As may be observed from the pretrial order, it developed that plaintiff had in mind a greater variety of [4665] claims than was clearly evidenced by the various counts in the complaint. Four claims were read into Count One. Four claims were read into Count Five. It was stipulated that no evidence would be introduced in support of Counts Two and Three which would not also be admissible in support of Counts One, Four, Five and Six. The fourth count was based upon the evidence to be introduced in support of Count One

and was only separately stated to provide a different legal theory for damages. With this in mind, it is apparent that in the main the discovery and trial were concerned with evidence which could be produced in support of Counts One, Five and Six of the complaint plus whatever evidence might be material to the defenses to these counts.

Count One, Claim 1, is that Anderson conceived and developed certain valuable processes, structures, articles and devices, and disclosed this to defendants in confidence and that the confidence was broken. Count Six claims that Anderson obtained the patent in suit on what he conceived and that defendants infringed the patent. The largest part of the evidence material to Count One, Claim 1, was also material to Count Six or its defenses. This is especially true of evidence concerning the originality of the conception and whether it was useful. Claim 2 of the same count is that defendants solicited disclosure of Anderson's invention in confidence and then published it. The fact of publication is the foundation for the claim of contributory infringement. Claim 3 of the same count is that defendants are unfairly competing with plaintiff by using the confidentially disclosed teachings of Anderson and his patent application. This was more a legal argument than a basis for introduction of evidence. The fourth claim of Count One is that all statutes of limitation are tolled by the fraud [4666] of defendants. It is too plain to belabor that most of the evidence material to each of the claims of plaintiff's first count is also material to the sixth count (patent count) or defenses to it.

The fifth count claims an express written contract, and express oral contract, a contract implied in fact and a contract implied in law, all to the same effect. In an exploration of the issues of invention, the defendant and industry's independent knowledge of the subject matter of the patent, the relevant prior art, and industry practices in this field of knowledge are pertinent. The materiality of such evidence to the patent count is obvious and this same evidence helped to place the various writings and conduct of the parties in context which was essential to claims of express and implied contracts.

What has been said above merely touches the surface of the intertwining of issues in this action. The bulk of the evidence was material to the patent count or the defenses to it, even though some of it was also produced and admitted for its probative value concerning other issues. The issues should have been clarified, simplified and reduced, but all efforts to accomplish this objective were frustrated. Had all but the patent cause of action been eliminated, it seems likely that the same amount of attorneys' time would have been consumed. There was a smoldering heat and hostility surrounding the litigation and no hope of a short trial.

Notwithstanding what has just been said, there is an area wherein the defendants employed attorneys' services, the reasonable value of which should not be assessed against [4667] plaintiff. Suit was not initiated in bad faith and it had to be defended. The defense against the patent count would not have required all of the legal services which were actually rendered. While the manner of preparation and presen-

tation of the case makes it impossible to point to particular days or particular hours which fall in one category or the other so that a mathematical division of the expenditure of time can be computed, a rational decision on the issue is not precluded. Reasonable attorneys' fees need not be based wholly upon the hours expended. This is one factor of major importance but the number of hours expended might be heavily discounted in some situations. The inability to segregate specific hours to certain purposes does not render an award of attorneys' fees invalid as speculative. In the final analysis a decision as to a sum which will represent reasonable compensation rests in the exercise of sound judgment in the light of professional experience, custom and opinion.

The difficulties encountered in resolving the question of reasonable attorneys' fees do not render the resolution conjectural. A sound principle applied in the award of damages is that one is not permitted to escape his liability simply by reason of the difficulty in ascertainment of the amount. A decision must be reached with as great a degree of certainty as the circumstances permit. No more can be expected and one who has caused uncertainty to exist or has by his own acts contributed to it should not escape liability on that account. There is no reason why the same principles should not apply with equal logic and force to the ascertainment of reasonable attorneys' fees. Reasonable attorneys' fees for services rendered in defense of this case are ascertainable by [4668] accepted standards for legal compensation.

In a case of this magnitude, it is only prudent for more than one lawyer to be employed both for the sake

of continuity in case of illness or accident and in the interests of dispatch. The testimony shows that the lawyers employed by defendants did their best to avoid duplication of effort and waste of time. The Court should and has taken into consideration the presence of more than one attorney at a given time, deposition, hearing or trial day. The extent that this has constituted duplication of effort has been weighed. Some other forms of duplication of effort are evident. The award takes this into consideration and excludes compensation for attorneys' services which duplicate the services of others.

There is authority for the proposition that the Court may award attorneys' fees as costs in non-patent claims when such claims are unconscionable, the equivalent of fraud, in bad faith or solely for purposes of vexation and harassment. *Sprague vs. Ticonic National Bank*, 307 U.S. 161, 59 Sup. Ct. 777, 83 L.ed. 1184 (1939); *Local No. 149 International Union vs. American Brake Shoe Co.*, 298 F. 2d 212 (4th Cir., 1962); *Rolax vs. Atlantic Coast R. Co.*, 186 F. 2d 473 (4th Cir., 1951); *Carter Products, Inc. vs. Colgate-Palmolive Company*, 214 F. Supp. 383 (D.C. Md., 1963). When the original complaint was filed, it contained no patent cause of action and it was not filed in bad faith, but there came a time when the principles which lead to the award of attorneys' fees in the cited cases applied to the further maintenance of this action. A recognition of this situation should have occurred to the plaintiff and counsel long before it could have become apparent to the Court. An award of attorneys' fees in this case could be based upon [4669] this authority. Rule 37(c) also provides a basis for awarding

attorneys' fees and this rule would be applicable in certain instances in this case.

The amount of an award of attorneys' fees is addressed to the sound discretion of the Court whether the award stems from the general equity power of the Court or the provisions of statute. Even though it would seem that the exercise of general equity power is broader than the authorization of 35 U.S.C. §285, because it is not limited to patent cases, this power should be used sparingly and cautiously. The award made in this case is within the authority of the statute, consistent with its purpose and, at the same time, is in an amount which should be awarded in the exercise of sound discretion to prevent injustice under the Court's general equity power.

All of the peculiar factors of this case having been fully and carefully considered and all of the elements which enter into the fixing of reasonable attorneys' fees having been carefully weighed, the Court finds that the sum of \$280,000.00 should be awarded to defendants as reasonable attorneys' fees to which the defendants as the prevailing parties are entitled.

DATED: January 5, 1967.

/s/ Albert Lee Stephens, Jr.

United States District Judge [4670]

Findings of Fact

[R 3709 to R 3757]

Introductory Note: The revised Findings of Fact filed on January 6, 1966, are set forth below. Following most of the controlling findings, we have included annotation to portions of the Memorandum of Decision and Pre-Trial Order underlying such findings; to compilations of, and comments on the pertinent evidence in Defendants' prior briefs; and, in a few instances, directly to the evidence. Limitations of time and space make it impracticable to list all testimony bearing on each finding. Most of the controlling findings were the subject of testimony of several witnesses or testimony at widely separated points in the transcript, or both. Omission of all or any such annotation is not to be deemed an admission that any finding lacks substantial supporting evidence or is in any respect, erroneous.

For the location in the Reporter's Transcript of the respective testimony of the some 40 witnesses who testified, either in person or by deposition, reference may be had to the MASTER INDEX Tr. ii through v. The letter 'R' refers to the Record on Appeal, "SR" to the Supplement to the Record on Appeal dated August 11, 1967, "Tr." to the Reporter's Transcript of Proceedings, and "Exh." to exhibit.

Findings of Fact and Conclusions of Law.

In the United States District Court, Southern District of California, Central Division.

Monolith Portland Midwest Company, a Nevada Corporation, Plaintiff, vs. Kaiser Aluminum & Chemical Corporation, et al., Defendants. Civil Action No. 553-58-S.

Lodged: July 15, 1966.

Filed: Jan. 6, 1967.

PARTIES

1. Plaintiff, Monolith Portland Midwest Company, is a Nevada corporation in the business of manufacturing Portland Cement and is a citizen of Nevada.

Annotation, Finding 1: Pre-Trial Order, SR 35; Memorandum of Decision, R 3561

2. Plaintiff owns and operates a cement plant in Laramie, Wyoming and has its executive offices in Los Angeles, California.

Annotation, Finding 2: Pre-Trial Order, SR 35; Memorandum of Decision, R 3561

3. Monolith Portland Cement Company [hereinafter called "Monolith"], which owns all of Plaintiff's common stock, owns and operates a cement plant in the Tehachapi Valley at Monolith, California and has its executive offices in Los Angeles, California. [R 3709]

Annotation, Finding 3: Pre-Trial Order, SR 35; Memorandum of Decision, R 3561

4. Plaintiff and Monolith are joint venturers with respect to exploitation of the alleged Anderson invention assigned to Plaintiff and which is the subject of this action.

Annotation, Finding 4: Pre-Trial Order, SR 35;
Memorandum of Decision, R 3561, 3569

5. Defendant, Kaiser Aluminum & Chemical Corporation is a Delaware corporation; Defendant Kaiser Aluminum & Chemical Sales, Inc. is a California corporation and said Defendants are citizens of Delaware and California respectively.

Annotation, Finding 5: Pre-Trial Order, SR 35;
Memorandum of Decision, R 3561

6. Defendant Kaiser Aluminum & Chemical Corporation manufactures at its Moss Landing, California plant refractory bricks which its affiliate, Kaiser Aluminum & Chemical Sales, Inc. sells to industry users [these Kaiser companies are hereinafter jointly referred to as "Kaiser"].

Annotation, Finding 6: Pre-Trial Order, SR 37;
Memorandum of Decision, R 3593

7. On June 6, 1958, the filing date of the original complaint herein, Defendants George C. Davis and Palmer Ford were residents and citizens of California, and Defendant Pete Olive was a resident and citizen of Washington, and all were employed by Kaiser.

Annotation, Finding 7: Pre-Trial Order, SR 35;
Memorandum of Decision, R 3561

JURISDICTION

8. The Court has jurisdiction over the parties with the exception of Defendant Pete Olive.

Annotation, Finding 8: Pre-Trial Order, SR 35-36

9. Defendant Pete Olive was never served with process and has never answered or formally pleaded herein, and has not submitted to the jurisdiction of this Court and he was dismissed from the action by the pre-trial order.

Annotation, Finding 9: Pre-Trial Order, SR 36;
Memorandum of Decision, R 3561

10. Plaintiff's First Amended and Supplemental Complaint [hereinafter referred to as "the complaint"] contains six counts. In the first five counts, Plaintiff claims a right to damages, [3710] declaratory relief and compensation from Defendants upon several legal theories, with chief reliance upon the theory that Plaintiff is entitled to damages for breach of confidence. The Sixth count is for infringement of Plaintiff's United States Letters Patent No. 2,895,725 and seeks damages and injunctive relief.

Annotation, Finding 10: Memorandum of Decision,
R 3562

11. Jurisdiction as to the first five counts was invoked and exists on the ground of diversity of citizenship and an amount in controversy, exclusive of interest and costs, of more than \$3,000.00. [This action was filed prior to the effective date of 38 U.S.C. 1332(b) as amended].

Annotation, Finding 11: Pre-Trial Order, SR 34;
Memorandum of Decision, R 3560-3561

12. The court finds that the amount in controversy, exclusive of interest and costs, actually has, at all times, exceeded \$10,000.00.

Annotation, Finding 12: Pre-Trial Order, SR 37-39;
Memorandum of Decision, R 3561

13. Jurisdiction as to the Sixth count is invoked and exists under 35 U.S.C. 1338.

Annotation, Finding 13: Pre-Trial Order, SR 34;
Memorandum of Decision, R 3561

THE CONTROVERSY

14. This controversy is primarily concerned with the use of what the parties have termed “short shims” or “spacing” in rotary kilns lined with “basic” refractory bricks.

Annotation, Finding 14: Pre-Trial Order, SR 39-41,
65-66; Memorandum of Decision, R 3670

15. “Basic” brick, so-called because of its chemical characteristics, is a relatively recent development having relatively higher refractoryness than earlier used “acid”, e.g., alumina bricks. Although superior to acid bricks in “refractoryness” (resistance to abrasion and exposure to high temperature) “basic” bricks are slightly higher in heat conductivity and thus somewhat less insulative than acid brick. [R 3711]

Annotation, Finding 15: Memorandum of Decision,
R 3581-3582; Exh BX

16. In the usual industry practice now and prior to the Plaintiff’s invention hereinafter described, the tubular steel shell of a rotary kiln is lined with successive rings of keystone shaped refractory bricks. When

“basic” as opposed to “acid” brick is used, metal plates or “shims” are conventionally placed between adjacent bricks in each ring. When the kiln is heated, these shims are partially oxidized and fused to help retain the brick lining in place. With conventional placement of shims in such a kiln, the shims are parallel to the axis of the kiln and are usually referred to as longitudinal shims.

Annotation, Finding 16: Memorandum of Decision, R 3583-3585, 3622; Exh BX

17. Shims which are positioned at right angles to the axis of the kiln, i.e., between the rings of brick, are variously referred to as radial, circumferential, circular, transverse, arcuate or segmental. Such shims are hereinafter referred to as “radial” shims. All these expressions refer to a steel plate shaped to fit the curved cross-section of the kiln and wide enough to extend from the hot face of the brick to the shell or a part of such distance.

Annotation, Finding 17: Memorandum of Decision, R 3622

18. “Spacing” in the context of refractory brick lining practice and as used herein means the practice of so placing and supporting the metal shims or plates between the bricks in such a lining, that all, or a substantial part of the plate is spaced from, i.e., out of contact with the metal shell or other support against which the bricks are installed and rest.

Annotation, Finding 18: Pre-Trial Order, SR 65

19. “Short shim” in the context of refractory brick lining practice and as used herein means a metal plate

or shim used between bricks in refractory lining designed and/or installed in such a way as to provide “spacing”. [R 3712]

Annotation, Finding 19: Pre-Trial Order, SR 65-66

20. Among its other products, Kaiser manufactures and sells refractory products used to line the inside of steel-shelled rotary kilns. One such product is now sold under the trademark “UNITAB”. The UNITAB liner is a conventional keystone shaped basic refractory brick with a piece of cardboard glued to one end and an L-shaped steel plate covering part of the top (the hot face; the surface exposed to the kiln interior) of the brick and extending down one side usually to within a half-inch of the bottom of the brick, i.e., the cold face, the brick face which rests against the shell. The L-plate or shim is glued onto the brick in “longitudinal” orientation and, when it does not extend down to the bottom of the brick, it is called a “short shim”.

Annotation, Finding 20: Pre-Trial Order, SR 66-67

21. The UNITAB liner above described has been sold by Kaiser and in commercial use since early 1955, although the trademark was not adopted until some time after such sale and commercial use.

Annotation, Finding 21: Pre-Trial Order, SR 66, 75-87; Defendants’ Post-Trial Brief, R 3119/76-77

22. United States Patent No. 2,829,877 issued on April 8, 1958 to Defendant Kaiser Aluminum & Chemical Corporation on an invention of Defendant George C. Davis entitled “Refractory”, and such patent is a

file wrapper reference in the patent in suit. The structure of Defendant Kaiser's UNITAB liner is disclosed in the Davis patent.

23. Plaintiff's claims in all counts of the complaint are based on an alleged invention in September 1953 by Plaintiff's employee-assignor F. J. Anderson. One feature of the alleged Anderson invention involves the "spacing" of certain inter-brick metal plates or shims from the shell in a refractory lining of a steel-shelled kiln.

Annotation, Finding 23: Pre-Trial Order, SR 39; Memorandum of Decision, R 3697

24. Anderson's alleged invention was conceived and first reduced to practice in Laramie, Wyoming as a radial shim only and was not embodied by Plaintiff in any other form or in any longitudinal shim until a single experimental installation in February 1956, [R 3713] i.e., after the Kaiser UNITAB construction had, to Plaintiff's knowledge, been in commercial use for nearly a year.

Annotation, Finding 24: Pre-Trial Order, SR 42, 69-71; Memorandum of Decision, R 3624

25. Approximately a year after the Anderson invention was first actually reduced to practice, Plaintiff caused to be prepared, and on February 5, 1955, filed a patent application covering the Anderson invention and entitled "Rotary Kiln Construction". The initial Anderson application was succeeded by a Continuation-in-Part application filed December 26, 1956, which issued as Patent No. 2,895,725 on July 21, 1959.

Annotation, Finding 25: R 1895 through 2280

26. The evidence presented herein on the subject of how the January 1954 lining of Plaintiff's kiln in Laramie was installed was conflicting but indicates that a portion of the kiln was lined with radial short shims. This was the first short shim lining actually installed by Plaintiff or its parent company, Monolith.

Annotation, Finding 26: Memorandum of Decision, R 3624, 3631-3632

27. On August 27, 1953, some months prior to the first construction or use of the alleged Anderson invention, Alan Johnson, who was then Assistant Superintendent of Monolith telephoned Jack Putnam of Kaiser and asked Kaiser's opinion concerning certain kiln lining practices contemplated by Plaintiff in its Laramie kiln. (See Findings 32 through 36 *ante*). Radial shims were not mentioned during that discussion, nor were bent shims such as incorporated in the UNITAB construction mentioned.

Annotation, Finding 27: Memorandum of Decision, R 3603 through 3617; Defendants' Post-Trial Brief, R 3119/21-23, 3119/175-177

28. Information given to Kaiser and its agents by Plaintiff and its agents concerning the January 1954 Laramie lining was vague, conflicting and in some respects false. As a result, Kaiser misunderstood the nature of the January 1954 lining and this misunderstanding existed until at least September 1954. Consequently, whatever in [R 3714] formation Kaiser received from the time of the Johnson-Putnam telephone call on August 27, 1953, until at least September 1954

was too confused to be understood and was of no value to it.

Annotation, Finding 28: Memorandum of Decision, R 3631-3632; Defendants' Brief on Motion, SR 150/22-28; Defendants' Post-Trial Brief, 3119/22-24

29. The information received by Kaiser from Plaintiff from the time of the Johnson-Putnam telephone call in August 1953 at least to June 9, 1955, and probably for a period of time thereafter, concerning the January 1954 Laramie lining related exclusively to radial shims.

Annotation, Finding 29: Memorandum of Decision, R 3633; Defendants' Brief on Motion, SR 150/22-28

30. The facts that a space could be left between shims and the shell of a rotary kiln, that such space inhibited the radiation of heat to the shell through the shims and that such radiation was usually undesirable were all known to Defendant Kaiser prior to early 1953 and prior to any communication of such information to it by Plaintiff.

Annotation, Finding 30: Memorandum of Decision, R 3594-3595, 3609-3612

31. Included in the prior knowledge of Kaiser on the subject was that gained by its engineers who had in connection with Kaiser's own developments and as early as 1944 studied U. S. Patents No. 2,230,141 to Heuer and No. 2,230,142 to Longacre both of which clearly disclose the use of short shims and describe the reduction of heat loss achieved thereby. Also, prior to

March 27, 1953, Kaiser's full time employee and registered Patent Agent, Miss Lloyd, studied the above-identified Heuer and Longacre patents during preparation of Kaiser's Wilkins application which, in turn, discloses attached shims which cover only a portion of the side face of the brick. (See Wilkins Patent No. 2,915,893 issued to Kaiser on December 8, 1959). [R 3715]

Annotation, Finding 31: Memorandum of Decision, R 3594-3595, 3609-3612; Defendants' Brief on Motion SR 150/37-49; Defendants' Post-Trial Brief, R 3119/11-14

32. The testimony of Johnson concerning the Johnson-Putnam telephone call (See Finding 37) is, in part, in conflict with a contemporaneous memorandum thereof made by Putnam (Exhibit 106). Johnson was an unreliable witness and such conflicting testimony is overborne by the rest of the available evidence on this subject. The Putnam memorandum is reliable and constitutes a complete record of all material subject matter discussed in said conversation.

Annotation, Finding 32: Memorandum of Decision, R 3603, 3606, 3687; Defendants' Brief on Motion, SR 150/99-102; Defendants' Post-Trial Brief, R 3119/21-23; 3119/174-177

33. In light of the knowledge already possessed by Kaiser, the Johnson-Putnam telephone call did not constitute a disclosure to Kaiser of either a trade secret of Plaintiff or of any valuable information possessed

by Plaintiff which was unknown to Kaiser at the time.

Annotation, Finding 33: Memorandum of Decision, R 3616-3617; Defendants' Brief on Motion, SR 150/37-49; Defendants' Post-Trial Brief, R 3119/11-17

34. It is well established by the overwhelming weight of evidence that commencing prior to the Johnson-Putnam telephone call and at all times during the relationship between the parties that is the subject of this litigation, Kaiser had a policy of free exchange between itself and all of its customers of information which could lead to the improvement of refractories including rotary kiln linings. Plaintiff was well acquainted with this policy and took advantage of it. At no time prior to June 9, 1955 did Plaintiff disaffirm Kaiser's free exchange policy and practice and prior to said date Plaintiff never indicated in any way that any particular communication or prospective communication was to be regarded or treated any differently.

Annotation, Finding 34: Memorandum of Decision, R 3618-3619; Defendants' Brief on Motion, SR 150/60-71; Oberg testimony: Tr. 2972 through 2976

35. There was nothing about the Johnson-Putnam telephone call which expressly or impliedly indicated that the conversation was to be considered confidential or that Kaiser was not expected to use and freely publish and disclose any information discussed therein

[R 3716] for any purpose it saw fit and for the benefit of itself and any and all of its customers.

Annotation, Finding 35: Memorandum of Decision, R 3620, 3679; Defendants' Brief on Motion, SR 150/60-61; Defendants' Post-Trial Brief, R 3119 /22; Johnson testimony Tr. 8363

36. In view of Kaiser's policy described in Finding 34, the Johnson-Putnam telephone conversation was not by reason of the surrounding circumstances, confidential in nature and, in any event, was not stated, believed or assumed by Johnson to be such.

Annotation, Finding 36: Memorandum of Decision, R 3618-3621; Defendants' Brief on Motion, SR 150/60-65; Defendants' Post-Trial Brief, R 3119 /22

PLAINTIFF'S COMMUNICATIONS RELATED TO RADIAL SHIMS

37. Any of what Plaintiff denominates its "certain valuable refractory processes, structures, articles and devices" conceived and developed by F. J. Anderson which were communicated to Defendants related exclusively to the radial shim development of Plaintiff.

Annotation, Finding 37: Memorandum of Decision, R 3689

38. At the request of Plaintiff and on Plaintiff's order, Kaiser manufactured and delivered to Plaintiff certain radial shims. No feature, idea or application of such shim was ever appropriated by Kaiser while, or after filling Plaintiff's order for such shims. Kaiser has not made or sold shims of its own which are sim-

ilar or equivalent to the shims ordered by Plaintiff from Kaiser.

Annotation, Finding 38: Memorandum of Decision, R 3691

PLAINTIFF'S KNOWLEDGE OF KAISER'S SHORT SHIMS

39. At least as early as June 9, 1955, Plaintiff became aware that Kaiser had, prior to that date, manufactured and sold longitudinal short shims installed between basic bricks in a cement kiln and Plaintiff was informed on that date that Kaiser had developed such product independently of Plaintiff, was then engaged in the commercial sale thereof, and had no intention of paying Plaintiff anything on account of such manufacture or sale. (See Findings 40 through 50, 59 and 60 *ante*). [R 3717]

Annotation, Finding 39: Memorandum of Decision, R 3648-3650, 3681;

Defendants' Brief on Motion, SR 150/82-93;
Defendants' Post-Trial Brief, R 3119/33-35, 3119
/92

THE LICENSE NEGOTIATIONS

40. On June 9, 1955, F. J. Anderson and Lloyd Rentsch, representing Plaintiff, and Palmer Ford and C. E. Miller, representing Kaiser, met to discuss the possibility of licensing Kaiser to practice the Anderson invention. This was the first meeting or communication between the parties on the subject of a possible license. Rentsch, who wanted to sell Kaiser on the idea

of taking a license, was the principal moving party in arranging the meeting.

Annotation, Finding 40: Memorandum of Decision, R 3646-3647; Exh. GK; Rentsch testimony Tr 1580; Ford testimony TR 9872 through 9882; Miller testimony Tr 10092-10106*

41. It is concluded from all the evidence on the subject that nothing was said at the June 9, 1955 meeting about the meeting being confidential or about longitudinal short shims being a part of the Anderson invention or being claimed as a concept of the Plaintiff or being any part of Anderson's then pending patent application.

Annotation, Finding 41: Memorandum of Decision, R 3648; Defendants' Brief on Motion, SR 150/60-71; Defendants' Post-Trial Brief, R 3119/24-26

42. Commencing with the meeting on June 9, 1955 and continuing with a second meeting on July 5, 1955, Kaiser and Plaintiff continued for a time to participate in certain abortive negotiations with a view to entering into a written license agreement under a patent which the parties anticipated would issue on Anderson's then pending application assigned to Plaintiff. No such agreement was ever reached. During the negotiations, Plaintiff disclosed to Kaiser some, but not all of the features that were included in said pending application. The only application features disclosed related to the Anderson concept of employing a radial shim between the rings of brick in a cement kiln in-

*Tr. 10093 line 10, read—the summer—for “December” see Tr 10115 and 10117.

stead of conventional longitudinal shims between bricks within the ring of bricks. It was disclosed that the "Anderson Shim", i.e., a radial shim as Defendants understood the term, was to be positioned so as to leave a space between the shim and the kiln shell. Nothing was disclosed during said negotiations concerning any longitudinal shims being an "Anderson Shim" or a part, or feature, of said pending application. [R 3718]

Annotation, Finding 42: Memorandum of Decision, R 3646-3669, 3692; Defendants' Post-Trial Brief, R 3119/31-32

43. During said license negotiation meetings in June and July of 1955, Plaintiff further disclosed information which purported to reflect the performance characteristics and relative advantages of kiln lining construction using radial "Anderson Shims". Such information on this subject as was received by Kaiser on or before said dates and during the course of such negotiations and was not previously known to Kaiser related to radial shims only and was received under circumstances from which it could be inferred that the parties intended that if Kaiser used such radial shim information, it would pay the reasonable value of such use to Plaintiff, thus giving rise to an implied-in-fact contract. However, none of the information so received by Kaiser was ever used by Kaiser and Kaiser has never repudiated or violated such implied-in-fact contract.

Annotation, Finding 43: Memorandum of Decision, R 3692-3693

44. It is established by a heavy preponderance of the evidence that any improvement in kiln productivity

during the life of the lining installed in Plaintiff's Laramie kiln in January 1954 was due primarily to several causes in addition to, and independent of, the radial short shims. Anderson knew this on June 9, 1955, and also knew on that date that he did not know what part, if any, of the improvement was due to the radial shims. But at the license negotiation meetings, it was falsely represented to Defendants by Plaintiff's representatives that the improvement was entirely due to the radial short shims in the lining and the other causes were not mentioned. Both Rentsch and Anderson knew that they did not possess either the knowledge or information required to make the representations they made.

Annotation, Finding 44: Memorandum of Decision, R 3640-3645, 3680-3681; Defendants' Brief on Motion, SR 150/33-35; Defendants' Post-Trial Brief, R 3119/109-121; Exh. G.

45. By April of 1956, Plaintiff's agents had made a further analysis of the Laramie kiln productivity and had determined that the radial shim lining contributed only a relatively minor part of the kiln productivity increase after the January 1954 lining, [R 3719] i.e., 19 out of 351 bbls. per day increase. Anderson knew of, and concurred in, this analysis, reporting the same in a paper submitted by him entitled "Use of Circular Steel Shims with Basic Brick Linings in Kiln of Monolith Portland Midwest Company at Laramie, Wyoming" (Exhibit AU).

Annotation, Finding 45: Memorandum of Decision, R 3644-3645; Defendants' Brief on Motion, SR 150/33-34; Defendants' Post-Trial Brief, R 3119/113-114

46. The effect of a longitudinal short shim was not established by the Laramie lining. Any saving in radiation heat loss due to the January 1954 installation may be related peculiarly to the radial posture of the shims as compared to the longitudinal alignment of conventional shims within the ring. Because of the conventional brick shape and irrespective of whether or not spacing is employed, only about one-half as much metal is used in radial shim installations as in longitudinal shim installations.

Annotation, Finding 46: Memorandum of Decision, R 3633-3634; Defendants' Brief on Motion, SR 150/34-35

47. The second license negotiation meeting on July 5, 1955, was attended by Rentsch and Russell, a Vice-President of Monolith, for Plaintiff, and by Davis and Ford for Kaiser. The July 5 meeting was not confidential and was not stated by the parties to be confidential.

Annotation, Finding 47: Memorandum of Decision, R 3651-3654; Defendants' Post-Trial Brief, R 3119/24-26

48. As was the case on June 9, 1955 and notwithstanding the advice given Plaintiff as set forth in Finding 39, it was not disclosed to Kaiser at the July 5, 1955 meeting, that the Anderson patent application covered or was intended to cover longitudinal short shims. It is clear that nothing said by Plaintiff's representatives was understood by Kaiser to mean that the "Anderson Shim" or "Anderson Device" they were discussing was anything other than a radial shim.

Annotation, Finding 48: Memorandum of Decision, R 3653-3659, 3677-3678

49. There is no question but that after both license negotiation meetings, Kaiser understood that the “Anderson Shim”, [R 3720] which was the subject of the pending patent application and the subject of all of the discussions and information received by Kaiser, was a radial shim and nothing else.

Annotation, Finding 49: Memorandum of Decision, R 3653-3659, 3677-3678; Defendants’ Post-Trial Brief R 3119/101-103

50. Rentsch testified that to his knowledge the Anderson patent application was never shown to any Defendant and there is no evidence that at any time during the abortive license negotiation any part of the Anderson application was exhibited or described to Defendants or any of them, nor is there any evidence that any Defendant ever saw such application or knew what was in it until after the patent in suit issued.

Annotation, Finding 50: Memorandum of Decision, R 3651, 3681; Rentsch testimony Tr 10873

KAISER’S DEVELOPMENT OF UNITAB LINER

51. Before the commencement of the abortive license negotiations between Plaintiff and Kaiser in June, 1955, Kaiser had employed a well known elementary principle of physics, applied in an obvious mechanical manner, resulting in a short shim which it glued to its own refractory articles to form a short shim and brick unit (the UNITAB kiln liner) which it sold to its customers. This unitary kiln liner and every element or possible combination of elements therein was derived solely from Kaiser’s own knowledge which it had prior to any disclosures from Plaintiff

or which was acquired prior to such disclosures from sources other than Plaintiff.

Annotation, Finding 51: Memorandum of Decision, R 3639-3640; Defendants' Brief on Motion, SR 150/82-92; Defendants' Post-Trial Brief, R 3119/16-17, 3119/33-35, 3119/76-77

52. The commercial success of the UNITAB can be attributed to a unique combination which supplies in a single unit several essentials of hot zone kiln construction. The commercial success of the UNITAB lies more in its convenient unitary character than in the fact that the shim is short of the shell. It is an article which was developed to meet competition and the demands of Kaiser's customers. Kaiser's advertising of this article does not rely more upon the short shim than upon its other features. In fact, the [R 3721] reverse is true. The commercial success of the UNITAB does not establish the claims of Plaintiff.

Annotation, Finding 52: Memorandum of Decision, R 3675-3676; Defendants' Post-Trial Brief, R 3383-3384

53. In June 1954, before Kaiser knew that Plaintiff's January 1954 Laramie installation was short-shimmed, Petersen of Kaiser reported a proposed installation by Ideal Cement Company at Denver, Colorado, of a hot zone lining using a legged or notched shim to space it away from the shell at least one-half inch or more.

Annotation, Finding 53: Memorandum of Decision, R 3636; Defendants' Post-Trial Brief, R 3119/12-13, 3119/52

54. In July of 1954, before any Defendant knew or had been advised that the January 1954 Laramie lining was short-shimmed, Defendant Ford of Kaiser had described to John Sauer of Riverside Cement Co. a bent plate short shim construction and before February 1955, Sauer had installed in the kiln at the Riverside-Oro Grande plant, such short shims constructed from conventional flat shims which he had bent over to achieve spacing.

Annotation, Finding 54: Memorandum of Decision, R 3635-3636; Defendants' Brief on Motion, SR 150/42-45

55. In February 1955, Defendant Ford reported to Kaiser that Harbison-Walker, a competitor of Kaiser, had supplied to one of its customers, kiln lining bricks, each with a short shim bent over the hot face, and that with linings of such construction, substantial improvement had been realized in thermal efficiency.

Annotation, Finding 55: Memorandum of Decision, R 3636-3637; Exh. FJ

56. On February 1, 1955, as a result of what had taken place as set forth in Finding No. 54, Sauer changed a Riverside Cement Co. order pending with Kaiser to provide an attached brick bent-over short shim combination. The result was a brick and short shim unit, i.e., the UNITAB type construction. The order was shipped on March 2, 1955, and installed as needed commencing on May 18, 1955. Further such sales and installations were made by Kaiser prior to December 26, 1955 to Riverside Cement Co. and others. [R 3722]

Annotation, Finding 56: Pre-Trial Order, SR 75-84; Memorandum of Decision, R 3636

57. On March 15, 1955, Defendant Ford called on Southwestern Portland Cement Company at Victorville, California, and discussed the Riverside order described in Finding No. 56 and also discussed another short-shimmed brick-shim unit being offered by General Refractories, a competitor of Kaiser.

Annotation, Finding 57: Memorandum of Decision, R 3637; Exh. FR

58. On April 14,* 1955, Southwestern Portland Cement Company order and received Kaiser short-shimmed brick units (UNITAB type construction) and installed a lining of this product on May 4, 1955.

Annotation, Finding 58: Pre-Trial Order, SR 85-87; Memorandum of Decision, R. 3637

59. During the abortive license negotiation meeting on June 9, 1955, Defendant Ford of Kaiser drew a picture of the Kaiser short-shimmed brick unit (UNITAB type) and advised Rentsch and Anderson of Plaintiff of the fact that Kaiser was then manufacturing and selling such units and that some had recently been installed near Victorville, California. Rentsch and Anderson recognized the fact that Ford was referring to plants of either Southwestern Portland Cement Company of Riverside Cement Co., or both, since both said companies have plants near Victorville and Anderson was well acquainted with personnel at both plants and had visited them on several occasions.

Annotation, Finding 59: Memorandum of Decision, R 3648-3649; Defendants' Post-Trial Brief, R 3119/33-35, 3119/92; Exhs. GK and QD

*Typographical error—should read—April 4—. See the Pre-Trial Order SR 85-87 and Memorandum of Decision, R 3637.

PLAINTIFF'S SECRET CONCLUSION OF INFRINGEMENT

60. At the June 9, 1955 meeting, Rentsch and Anderson secretly concluded that the unit sketched and described as stated in Finding No. 59 was an infringement of the patent they hoped to obtain, but consciously concealed that conclusion from Defendants. Neither at that meeting nor at any time thereafter, until late in 1956, did Plaintiff disclose or suggest this secret conclusion to any Defendant. [R 3723]

Annotation, Finding 60: Memorandum of Decision, R 3648-3649; Defendants' Post-Trial Brief, R 3119/33-35, 3119/92

61. Plaintiff has offered to the court the explanation that plaintiff did not disclose its conclusions of infringement set forth in Finding No. 60 because Plaintiff assumed that the Kaiser installation and uses described to it on June 9, 1955, were Kaiser's "field trials" integral to the license negotiations. The court finds the suggested assumption by Plaintiff totally unreasonable and this explanation to be incredible and unbelievable.

Annotation, Finding 61: Memorandum of Decision, R 3649-3650; Defendants' Post-Trial Brief, R 3119/92-95, 3119/185-196

OTHER SHORT SHIM INSTALLATIONS

62. General Refractories and Harbison-Walker offered for sale and sold unitary short-shimmed basic brick-shim articles in competition with Kaiser commencing at a date prior to December 26, 1955, and such

articles were installed in rotary kilns by their customers, including Riverside Cement Co. and Southwestern Portland Cement Co., prior to December 1955.

Annotation, Finding 62: Memorandum of Decision, R 3636-3637

63. In May of 1956, Defendant Ford of Kaiser advised Rentsch in a telephone conversation that Kaiser had up to that date made and sold 30 installations of the UNITAB type of kiln liner. While Rentsch disputes that he was so advised, the Court finds a contemporaneous memorandum of the conversation made by Ford to be more reliable.

Annotation, Finding 63: Memorandum of Decision, R 3667-3668; Exh. KA; Ford Testimony Tr 9959-9962

THE DAVIS-SCHOONOVER LETTER

64. On February 1, 1956, Defendant Davis wrote to Schoonover of Plaintiff and explained the purpose and effect of Kaiser's proprietary interest and patent notice which was rubber stamped on certain drawings of Plaintiff's radial shims. In the letter, Davis disclaimed any interest in the shims shown on the drawings. By such letter, Davis also advised Schoonover that he agreed that the "Anderson Device" (by which Davis clearly meant radial shims and no others) had been disclosed to Defendants in confidence. [R 3724]

Annotation, Finding 64: Memorandum of Decision, R 3662-3664, 3694-3695; Defendants' Post-Trial Brief, R 3119/101-103

65. Plaintiff's contention that the letter of Davis to Schoonover of February 1, 1956, constituted or contained an admission against Kaiser's interest or position

in this controversy and in support of Plaintiff's claims therein is totally unreasonable and a gross perversion by Plaintiff of the letter's terms and intent. Said letter refers exclusively to radial shims and is out of context to any other reference. It was written by Defendant Davis without ulterior motive on his part and without secret, or any intent to induce a false sense of security in Plaintiff. Plaintiff knew that the disclaimer in the letter referred to radial shims only, and did not rely upon such statement or the letter as a whole as a disclaimer by Defendant of adverse interest in any and all short-shimmed articles used in lining cement rotary kilns. Plaintiff already knew, as of June 9, 1955, that Kaiser had developed such an article and had sold the same to its customers. At no time did Plaintiff have any reasonable belief that the February 1, 1956, letter of Davis was intended or understood by Defendants, or any of them, to be an admission of Plaintiff's claim to invention or proprietary right of or to "short shimming" or "spacing". In context, it is preposterous to suggest that this letter refers to anything but the radial shim design.

Annotation, Finding 65: Memorandum of Decision, R 3664-3665, 3681-3882, 3694-3695; Defendants' Post-Trial Brief, R 3119/101-103

RESPECTIVE ATTITUDE OF THE PARTIES

66. At all times during the abortive license negotiations, Kaiser's conduct was completely consistent with straightforward business practice. Kaiser forthrightly disclosed to Plaintiff what it was doing with short shims.

Annotation, Finding 66: Memorandum of Decision, R 3650, 3683

67. As stated in earlier findings, although Plaintiff's agents Rentsch and Anderson were advised on June 9, 1955, of the prior manufacture and sale of Kaiser's unitary short shimmed kiln liner (later termed UNITAB liner) and secretly concluded it infringed [R 3725] Plaintiff's hoped-for patent, Plaintiff continued to deal with Defendant. But at no time prior to a charge of infringement in late 1956 did Plaintiff disclose, intimate, or suggest to any Defendant that Plaintiff considered such UNITAB liner to be an infringement of any right of Plaintiff, an embodiment of Anderson's invention, or any part of the subject matter of the license negotiations. On the contrary, Plaintiff knowingly and deliberately concealed its secret conclusion of infringement and its purpose to commit Kaiser to a license broad enough to embrace the Kaiser UNITAB liner. All negotiations between the parties were, and were known by Plaintiff to be at arms length and not in an atmosphere of trust or confidence on Plaintiff's part.

Annotation, Finding 67: Memorandum of Decision,
R 3648-3650, 3681-3682

FINDINGS AS TO THE OVERALL RELATIONSHIP AND DISCLOSURES BETWEEN THE PARTIES

68. The only confidential or trust relationship between Plaintiff and Defendants which existed at any time related solely to Plaintiff's radial shim development. Such confidential relationship was not violated

by Defendants, or any of them, in any way or at any time.

Annotation, Finding 68: Memorandum of Decision, R 3689, 3694-3695; Defendants' Brief on Motion, SR 150/60-71, 150/76-81; Defendants' Post-Trial Brief, R 3119/19-28, 3119/31-32

69. None of the refractory processes, structures, devices or teachings of the Anderson invention, or any valuable information disclosed or communicated by Plaintiff to Defendants was ever employed in any way by Defendants, or any of them.

Annotation, Finding 69: Memorandum of Decision, R 3689

70. No information belonging to, or originating with, Plaintiff was employed by Defendants, or any of them, in the development, manufacture, use or sale of Kaiser's UNITAB kiln liner or any of its predecessors in development or in any other product developed, manufactured, used, or sold by Kaiser. [R 3726]

Annotation, Finding 70: Memorandum of Decision, R 3689

71. None of the information disclosed by Plaintiff to Defendants or any of them, was used to obtain Davis Patent No. 2,829,877 issued to Defendant Kaiser Aluminum & Chemical Corporation; the Davis patent is not a patent upon an invention of the Plaintiff; and the Davis patent is not a "patent in suit".

Annotation, Finding 71: Memorandum of Decision, R 3689-3690.

72. Any information disclosed by Plaintiff in confidence to Defendants, or any of them, has been main-

tained in such confidence, is not being used by Defendants, or any of them in competition with Plaintiff, and none of Defendants is unfairly competing with Plaintiff by use of such information or disclosures or otherwise.

Annotation, Finding 72: Memorandum of Decision,
R 3690

73. Assuming a confidential relationship between the parties and that in the context of such relationship defendants obtained information of value from the plaintiff, an implied promise not to use such information for the benefit of the defendants or to the detriment of the plaintiff would have arisen. Suit for breach of such promise would be subject to the two-year statute of limitations. Even making such assumptions, which are hypothetical, since the findings of the Court have been otherwise, no cause of action for fraud would arise as a consequence of such a breach. Further, the Court finds that there was no actionable fraud on the part of the defendants. The three-year statute of limitations does not apply to the first five causes of action; rather, the two-year statute of limitations applies to all of plaintiff's claims except the claim for relief for breach of a written contract. No conduct of defendants, or any of them, toward plaintiff was shown to constitute any variety of fraud and applicable statutes of limitation were not tolled thereby.

Annotation, Finding 73: Memorandum of Decision,
R 3690 [Proposed Finding 73 was deleted and this finding was drafted in its entirety by the Court.]

74. There was no express contract, oral or in writing, between Plaintiff and Defendants, or any of

them, relative to any of the claims of Plaintiff involved in this litigation. Any negotiations with respect to such subject matter were abortive and never ripened into agreement. Specifically, there was no express agreement by Defendants, or any of them, to pay Plaintiff for the use of what Plaintiff has characterized as technical information or trade secrets or simply valuable information, either upon the basis of the reasonable value thereof, or otherwise.

Annotation, Finding 74: Memorandum of Decision,
R 3691-3692

75. "Short" shims placed parallel to the axis of the kiln between bricks laid in rings in the kiln are not equivalent to radial "short" shims placed between such rings and at right angles to the axis of the kiln. The only feature common to both above-mentioned shims is that each is installed in such a manner as to leave a space between the shims and the shell, Kaiser did not learn [R 3727 and R 3728] of such common feature from Plaintiff or ever agree with Plaintiff in writing or otherwise that it would not manufacture or sell shims designed to be installed in such a manner.

Annotation, Finding 75: Memorandum of Decision,
R 3691-3692

76. Defendant Kaiser violated no trust with respect to, and did not misappropriate, any of Plaintiff's trade secrets or information and did not become unjustly enriched either by the sale of its refractory articles which utilize a shim which does not touch the kiln shell or by any other act or conduct herein, and Kaiser has not competed unfairly with Plaintiff.

Annotation, Finding 76: Memorandum of Decision,
R 3693-3694

77. Kaiser made no field trials of any product employing trade secrets or valuable information belonging to, or obtained from, Plaintiff. The use of Kaiser's products by its customers, which use resulted in a kiln lining in which there was a space between the shim and the shell, were uses which resulted from sales of Kaiser products which was developed without reference to any secret or any information of Plaintiff and were not field trials or experiments made on behalf of plaintiff or defendants.

Annotation, Finding 77: Memorandum of Decision, R 3694; Defendants' Brief on Motion, SR 150/42-45; Defendants' Post-Trial Brief, R 3119/16-17

78. Plaintiff kept its secrets and consciously and deliberately concealed from Kaiser its intent to obtain through Anderson's application and amendment thereof a patent upon short shims for longitudinal placement in the kiln as distinguished from the transverse positioning of the radial shims. Plaintiff well knew that the manufacture and sale of short-shimmed kiln liners by Defendant Kaiser began in June, 1955, or before, and not in October of 1956, as averred by Plaintiff, and that none of such sales by Kaiser constituted the unauthorized use of any valuable property rights or protectible information of Plaintiff.

Annotation, Finding 78: Memorandum of Decision, R 3650, 3681

79. No false representations were made to Plaintiff by Defendants, or any of them, during, or concerning the subject matter of the abortive negotiations referred to in Findings 40 through 50. [R 3729]

Annotation, Finding 79: Memorandum of Decision, R 3689

FINDINGS AS TO THE PATENT
CAUSE OF ACTION

* * *

PLAINTIFF'S PATENT IN SUIT

80. Claims 3, 4, 7 and 8 of Plaintiff's patent in suit, are stipulated to be the only claims in issue and all of them are directed to a combination including as elements the features of: (a) "basic" (as opposed to acid or non-basic bricks) and (b) bricks of "substantially uniform physical and chemical composition throughout". Said features are material and essential elements of the combination claimed in each of the claims in issue.

Annotation, Finding 80: Pre-Trial Order, SR 56; Memorandum of Decision, R 3702; Defendants' Post-Trial Brief, R 3119/64-68

81. The original Anderson application Serial No 486,227 (hereinafter called "parent" application) contained only six claims in proper statutory form, none of which contained any reference to either (a) "basic" brick, or (b) bricks of "substantially uniform physical and chemical composition throughout".

Annotation, Finding 81: Patent Office Record, R 2255-2263

82. The specification of the parent application together with an affidavit of Anderson filed therein as well as the Continuation-in-Part application, all clearly state that it was not an essential element of Anderson's invention that it be used with any particular type of brick.

Annotation, Finding 82: Patent Office Record, R 2255-2263, 2275 (1898-1913)

83. The evidence, including the expert testimony, establishes that the disclosure of metal plates in the original application would not indicate to one skilled in the art in the manner provided in 35 U.S.C. 112, or at all that the invention was intended to be limited to use in combination with "basic" as opposed to other types of brick.

84. Nothing in the specification, drawings, or claims of the parent application as filed, disclosed or suggested that [R 3730] Anderson's claimed invention resided in the use of "basic" brick or brick of "substantially uniform physical and chemical composition throughout". Moreover, nothing in said disclosure or claims of the parent application indicated that the invention was of such breadth as to cover any arrangement in which the shims are longitudinally oriented and co-extensive with a single adjacent brick, i.e., do not extend across the end joints between longitudinally aligned bricks.

85. Plaintiff's parent application was filed on February 4, 1955, over one year after the initial installation of radial "Anderson Shims" at Laramie, Wyoming.

86. Plaintiff's Continuation-in-Part application upon which the patent in suit eventually issued, was filed on December 26, 1956 and continued new matter not shown or suggested in the parent application as filed, such new matter including a reference to bricks of "substantially uniform composition throughout."

87. The claims in issue were inserted in the Continuation-in-Part application by amendment thereto, were presented to the Patent Office for the first time in early 1958, and were allowed only after an appeal to the Board of Appeals in the Patent Office. Such claims

included additional new matter inserted as of early 1958 in that they indicated to the Patent Office for the first time on said date that "basic" brick was claimed as an essential element of Anderson's invention. Thus, the claims in suit are based upon new matter not disclosed in the parent application. [R 3731]

THE PRIOR ART

88. The scope of the claims in suit is such that the art to which the subject matter of the claims pertains or with which it is most clearly connected within the meaning of 35 U.S.C. §§ 102, 103 and 112, embraces all refractory lined rotary kilns, whether used for cement manufacture or otherwise.

Annotation, Finding 88: Memorandum of Decision, R 3697, 3699-3700

89. The prior art against which the alleged patentable novelty of Plaintiff's claims in issue must be measured includes in addition to that cited by the Patent Office, the following prior art patents, printed publications, and prior art devices not considered by the Patent Office:

UNITED STATES PATENTS

<u>Patentee</u>	<u>Patent No.</u>	<u>Date of Patent</u>
Morlack	2,125,192	July 26, 1938
Morlack	2,125,193	July 26, 1938
Goldschmidt	2,216,813	October 8, 1940
Geistler	2,231,498	February 11, 1951
Batscheller	2,256,272	September 16, 1941
Cope	2,580,519	January 1, 1952
Heuer et al.	2,632,793	September 22, 1953
Wilkins	2,915,893	December 8, 1959

(Filed March 27, 1953—
see 35 U.S.C. 102(e))

FOREIGN PATENTS

<u>Country of Patentee</u>	<u>Patent No.</u>	<u>Date of Patent</u>
Austria	148,268	1937
Austria	160,679	1941
France	1,126,270	1956
Germany	820,320	1949
Great Britain	638,767	June 14, 1950
[R 3732]		

Annotation, Finding 89: Book of Prior Art Patents, Exh. S

PUBLICATION

Publication entitled "Refractories in Portland Cement Manufacture" by Leopold Tschirky—reprinted from a paper presented at a Committee of Portland Cement Association meeting at Bethlehem, Pennsylvania, on September 19, 1944 (Exhibit BX).

Annotation, Finding 89 (Publication): Memorandum of Decision, R 3591

PRIOR ART DEVICES, PUBLIC USES, AND SALES NOT NECESSARILY DESCRIBED IN PRINTED PUBLICATIONS

90. Use and knowledge of kiln linings containing bent or "cut out" metal shims located in the rings of brick and spaced from the shell of rotary kilns lined with basic brick took place and existed at the following places on the dates indicated:

- (a) Conventionally shaped basic refractory kiln lining bricks with spaced shims attached thereto by co-molding and known as the "RITEX" single plated brick were manufactured by General Refractories Co. as early as 1940 and in any

event long before September 14, 1953 and used to line rotary cement kilns.

Annotation, Finding 90 (a): Memorandum of Decision, R 3700; Defendants' Post-Trial Brief, R 3119/53

90(b) Northwest Magnesite Co., Cape May, New Jersey, use commencing not later than 1944 and, in any event, long before September 14, 1953.

Annotation, Finding 90 (b): Memorandum of Decision, R 3698; Defendants' Post-Trial Brief, R 3119/49-50

90(c) Mathieson Alkali Works, Saltville, Virginia, use commencing not later than 1937 and, in any event, long before September 14, 1953.

Annotation, Finding 90 (c): Memorandum of Decision, R 3698; Defendants' Post-Trial Brief, R 3119/45-49

90(d) Ideal Cement Company, Ada, Oklahoma, use commencing not later than 1950 and, in any event, long before September 14, 1953 [R 3733]

Annotation, Finding 90 (d): Memorandum of Decision, R 3698; Defendants' Post-Trial Brief, R 3119/50-53

90(e) Information as to such linings and the use thereof is contained in General Refractories Bulletin No. 1622 - "STEELKLAD and Modified STEELKLAD for Rotary Kiln Linings", first printed and distributed in February 1955. (Exhibit FM). (This bulletin is "prior art" as to Plaintiff's Continuation-in-Part application).

Annotation, Finding 90 (e): Defendants' Brief on Motion, SR 150/52-53

ANDERSON'S DATE OF INVENTION

91. The earliest date as to which Plaintiff submitted any probative evidence of the date of Frank J. Anderson's purported invention in issue is September 14, 1953 and his invention disclosed and claimed in the patent in suit was no earlier than that date.

Annotation, Finding 91: Memorandum of Decision, R 3697

PRIOR KNOWLEDGE AND USE

92. The purported invention defined in each of Plaintiff's patent claims in issue is completely anticipated by the knowledge and use shown by one or more of the prior art patents, publications and uses listed in Findings 89 and 90, including without limitation the following prior knowledge and use:

[92(a) Deleted]

92(b) Publication entitled "Refractories in Portland Cement Manufacture" by Leopold Tschirky—Reprinted from presentation at Committee of Portland Cement Association at Bethlehem, Pennsylvania, on September 19, 1944 (Exhibit BX).

Annotation, Finding 92 (b): Memorandum of Decision, R 3591

92(c) "RITEX" single plated brick manufactured by General Refractories in about 1940 and in any event, long before September 14, 1953.
[R 3734]

Annotation, Finding 92 (c): Memorandum of Decision, R 3700

92(d) Northwest Magnesite Co., Cape May, New Jersey, use commencing not later than 1944 and, in any event, long before September 14, 1953.

Annotation, Finding 92 (d): Memorandum of Decision, R 3698

92(e) Mathieson Alkali Works, Saltville, Virginia, use commencing not later than 1937 and, in any event, long before September 14, 1953.

Annotation, Finding 92 (e): Memorandum of Decision, R 3698

92(f) Ideal Cement Company, Ada, Oklahoma, use commencing not later than 1950 and, in any event, long before September 14, 1953.

Annotation, Finding 92 (f): Memorandum of Decision, R 3698

93. As to each of Plaintiff's patent claims in issue, the purported invention defined therein was known by one or more persons, including the patentees, author, and personnel of the companies listed in Finding No. 92 before the alleged invention by F. J. Anderson.

94. Each and all of the uses described in Finding No. 90 constituted prior knowledge, and each was a prior and public use of the invention within the meaning of 35 U.S.C. 102 and was not a "secret use" and was not experimental, and no effective effort was made by any of such users or those having such knowledge to suppress or conceal the same from employees of such user or to prevent dissemination of knowledge of such use, or to conceal the same from refractory salesmen

and other authorized visitors to the premises of such user.

Annotation, Finding 94: Memorandum of Decision,
R 3698

95. The evidence presented by Defendants as to the prior uses described in Finding No. 90 was clear, complete and convincing, being supported and corroborated documents and physical evidence. [R 3735]

Annotation, Finding 95: Memorandum of Decision,
R 3698

OBVIOUSNESS

96. As to each of Plaintiff's patent claims in issue, the differences, if any there be, between the subject matter sought to be patented thereby and the prior art (including that listed in Findings 89 and 90 and that cited by the Patent Office) are such that the subject matter as a whole would have been obvious at the time the Anderson invention was made to a person having ordinary skill in the refractory art or the operation of rotary kilns.

Annotation, Finding 96: Memorandum of Decision,
R 3700

STATUTORY BARS

97. As to each of Plaintiff's patent claims in issue, the subject matter had been on sale for more than one year prior to Anderson's application for patent in that the refractory materials and metal plates employed in one or more kilns of the prior art users listed in Finding 90 were on sale and sold to such users more than one year prior to the filing date of Plaintiff's original application.

*Annotation, Finding 97: Memorandum of Decision,
R 3702*

98. As to each of Plaintiff's patent claims in issue, the subject matter had been on sale for more than one year prior to Plaintiff's Continuation-in-Part application and the subsequent first presentation of said claims to the Patent Office. Such prior sales and offers of sale include those by Kaiser and by General Refractories and by Harbison-Walker described in Findings 55 through 58, and 62.

*Annotation, Finding 98: Pre-Trial Order, SR 75-87;
Memorandum of Decision, R 3702; Defendants'
Post-Trial Brief, R 3119/75-77*

99. The sales by Kaiser, General Refractories and Harbison-Walker referred to in Finding No. 98 and the uses by the purchasers of the products so sold were regular sales and uses for profit, and none of them constituted "experimental use" of the invention at issue herein. [R 3736]

*Annotation, Finding 99: Memorandum of Decision,
R 3703-3704; Defendants' Post-Trial Brief, R
3119/75-77*

100. Plaintiff's agent and so-called "attorney-in-fact" Lloyd Rentsch, son-in-law of Plaintiff's president, was in charge of Plaintiff's patent program and actively participated in and directed all phases of the Anderson application, including the initial preparation and the prosecution before the Patent Office Examiner and Board of Appeals. Rentsch was informed of Plaintiff's duty of full disclosure to the Patent Office by Edward O'Brian, plaintiff's patent attorney, and as-

sumed full responsibility for a full and truthful presentation of all material facts bearing on the patentability of Anderson's invention.

Annotation, Finding 100: Memorandum of Decision, R 3685-3686; Elliott Affidavit, R 1349; Defendants' Post-Trial Brief, R 3119/111, 3119/120, 3119/150-151

101. Edward O'Brian, Plaintiff's patent attorney of record, by written contract entered into prior to the preparation and filing of the original Anderson application, agreed to and in fact did leave entirely to Rentsch and others in Plaintiff's management, the determination of what the facts were concerning Anderson's invention, which such facts would and which facts would not be presented to the Patent Office and what arguments concerning such facts would be made to the Patent Office. Said contract made it possible to conceal material facts from the Patent Office without the fact of concealment fully coming to the attention of O'Brian.

Annotation, Finding 101: Memorandum of Decision, R 3687; Defendants' Post-Trial Brief, R 3119/142-144, 3119/151-154

102. In the summer of 1955, during the occurrences set forth in Findings 40 through 50, 59 and 60, Plaintiff and its agents and attorneys embarked upon a plan to introduce new matter and revised claims into the Anderson application with the intent and purpose of obtaining patent claims specifically covering Kaiser's UNITAB construction. Plaintiff's agents O'Brian and Rentsch determined at the outset that the intent and purpose of its plan should not be revealed to Kaiser or to the Patent Office. Pursuant to the aforesaid plan,

Plaintiff and its agents and attorneys took (among others) the following actions: [R 3737]

Annotation, Finding 102: Memorandum of Decision, R 3679-3684 and 3702; Exh. JS

CONCEALMENT OF STATUTORY BARS

102 (a) Claims including those in issue were inserted in the application and were drafted to include new matter, to wit, the recital that the bricks be of “substantially uniform physical and chemical composition throughout”. Amended claims expressing this limitation were presented to the Patent Office for the first time in an amendment to the parent application filed March 2, 1956. On said date, as Plaintiff’s agents including Rentsch and Anderson claims had been in public use and on sale for more than one year and Rentsch and O’Brian also knew that the above amendment would and did constitute “new matter” in the application and that said claims would, in all likelihood, be rejected on that ground, as they ultimately were on January 7, 1957.

Annotation, Finding 102(a): Defendants’ Post-Trial Brief, R 3119/91-92

102(b) On December 26, 1956 realizing that an application containing new matter would be required to support allowable claims covering Kaiser’s UNITAB liners, (which Plaintiff had learned in June of 1955 were then on sale and in commercial use), Plaintiff filed its Continuation-in-Part application containing such new matter (termed therein “not-common” subject matter) and claims based thereon. In said application, Ander-

son falsely stated under oath in part as follows: “. . . that as to the subject matter of the present application not common to the prior application, I do not know and do not believe that the same was ever . . . *in public use or on sale in the* [R 3738] *United States for more than one year* prior to the present application . . .” (Emphasis supplied)

As set forth in Findings 39, 59 and 60, Rentsch and Anderson *did* know and believed that kiln liners embodying the aforesaid “not-common” subject matter were in public use and on sale on or before June 9, 1955. Thus, the above quoted statement was a deliberate falsehood.

Annotation, Finding 102(b): Defendants’ Post-Trial Brief, R 3119/92-96

102(c) Knowing that the parent application did not mention “basic” brick, that the Continuation-in-Part application specifically stated that Anderson’s invention contemplated either basic or non-basic brick with no preference for either, Plaintiff for the first time on February 13, 1958, added new claims to the application which included “basic” brick as an element and argued such element to be essential to patentability. As of this date, Plaintiff through its agents and attorneys had received additional knowledge of the substantial commercial use and sale of the Kaiser UNITAB liners commencing, to Plaintiff’s knowledge, more than one year prior to that date and more than one year prior to the Continuation-in-Part filing date. The claims added on February 13, 1958, as later amended, became the claims in issue.

Annotation, Finding 102(c): Defendants' Post-Trial Brief, R 3119/63-68

102(d) On May 27, 1959, just prior to issue of the patent in suit, Plaintiff caused to be filed in the Patent Office, Anderson's final supplemental oath which reiterated the allegation quoted in Finding 102(b). Prior to the last named date, Plaintiff, and particularly Rentsch, had determined to their satisfaction through Plaintiff's own independent [R 3739] survey (See Finding 121 *ante*) that short shimmed basic bricks fully meeting the claims in issue had been on sale and in public use in several Southern California cement plants for more than one year prior to the Continuation-in-Part filing date, and were sold and used not only by Kaiser and its customers, but also by other refractory manufacturers and their customers as well.

Annotation, Finding 102(d): Defendants' Post-Trial Brief, R 3119/98

102(e) When the final supplemental oath referred to in Finding 102(d) was being prepared, and prior to its consideration or execution by Anderson, Plaintiff's attorney O'Brian had been expressly reminded and warned by his Washington associate that the allegations in said oath concerning public use and sale of the "not common" subject matter could be fraudulent if such use and sale was more than one year prior to the Continuation-in-Part filing date. As stated in Findings 39, 59, 60 and 63, Plaintiff's agents, particularly Anderson and Rentsch, knew that this was the case. Not-

withstanding such warning, Anderson executed and Rentsch did not disapprove or question said final supplemental oath.

Annotation, Finding 102(e): Defendants' Post-Trial Brief, R 3119/98-99

103. In a Petition to Make Special filed in the Patent Office on December 11, 1957, O'Brian (Plaintiff's attorney) argued on behalf of Plaintiff:

"At this time [fall of '56] the Monolith organizations were not aware that Kaiser was actually going to manufacture this type of kiln liner [UNITAB]."

Said petition as well as Anderson's oath referred to in Findings 102(b) and (d) and (e), as well as virtually all other papers and briefs filed by O'Brian in said application were read, edited and approved [R 3740] by Rentsch before filing and as stated in Findings 39, 59 and 60, Rentsch and Anderson both know that the above quoted statement was not true and, on the contrary, they *were* aware of Kaiser's manufacture and sale of UNITAB liners prior to June 9, 1955.

Annotation, Finding 103: Defendants' Post-Trial Brief, R 3119/33-35, 3119/92, 3119/120-121; Patent Office Record, R 1945

104. In an affidavit filed in the Patent Office on December 18, 1957, in support of the aforesaid Petition to Make Special, Rentsch stated that in 1955 he was not certain that Kaiser would manufacture the UNITAB construction and in that connection, further stated as follows:

"(6) It is considered extremely difficult, if not impossible, to obtain more complete evidence than

is presented in this affidavit as to the fact that Kaiser Aluminum and Chemical Sales, Inc., is actually on the market at the present time and has been on the market since the latter part of 1956 with the so-called 'Unitab' kiln liners. The Kaiser firm's 'Unitab' kiln liners are of such a nature that they are installed within the interior of rotary kilns where they cannot be fully observed on casual visits to various plants. Further, the general policy in industries in which rotary kilns are used is not to allow competitors to determine precisely what is being done by their competitors."

Annotation, Finding 104: Patent Office Record, R 1949

105. In view of the facts known to Anderson and Rentsch as stated in Findings 59, 60 and 63, the statements set forth in Findings 103 and 104 filed on December 11, 1957, and December 18, 1957, respectively, as well as Anderson's earlier Oaths referred to in Findings 102(b) and (d) were deliberate falsehoods which were designed to, and did conceal from the Patent Office the fact that the claims now in issue were—at the time they were presented—unpatentable and invalid. [R 3741]

Annotation, Finding 105: Defendants' Post-Trial Brief, R 3119/95, 3119/99-100

106. In the aforementioned Petition to Make Special filed December 18, 1957, Plaintiff represented to the Patent Office that the purpose of the license negotiations between Monolith and Kaiser was to grant Kaiser a license "with respect to production of the so-called 'Unitab' kiln liner". In view of the facts known to

Rentsch, as stated in Findings 59 through 61, this was a deliberate falsehood.

Annotation, Finding 106: Memorandum of Decision, R 3649-3650; Defendants' Post-Trial Brief, R 3119/100-101

107. One obvious purpose of Plaintiff in presenting the above falsehood (Finding 106) to the Patent Office was to try to support to a further misrepresentation made to the Patent Office, to wit, that Kaiser "admitted" that the content of the Anderson application had been disclosed to Kaiser in confidence during the license negotiations and to plant in the minds of the Patent Office personnel the conclusion that Kaiser also admitted that following, and as a result of the negotiations with Plaintiff, it had developed the UNITAB liner and embodied the Anderson invention therein.

Annotation, Finding 107: Defendants' Post-Trial Brief, R 3119/101-103

108. In support of the false information given the Patent Office, as stated in Finding 106, Rentsch and O'Brian submitted to the Patent Office the Davis-Schoonover letter of February 1, 1956 (See Findings 64 and 65) together with other letters completely out of context therewith. Knowing that said letters were not in context, Rentsch and O'Brian argued to the Patent Office that they were, and that they showed that Kaiser had appropriated Anderson's invention and thereafter embodied it in the UNITAB liner. In view of the facts known to Rentsch as stated in Findings 59 through 61, 64 and 65 this was still another deliberate misrepresentation [R 3742]

Annotation, Finding 108: Memorandum of Decision, R 3662-3665; Defendants' Post-Trial Brief, R 3119/101-104

109. In further support of its representation to the Patent Office that Kaiser had appropriated Anderson's invention, it was strongly suggested, if not expressly stated, to the Patent Office that the Anderson application itself was disclosed to Kaiser during the license negotiations and that the UNITAB liner was developed only *after* such disclosure. In view of the facts known to Rentsch as stated in Findings 50 and 59 through 61; such was clearly not the case and Rentsch knew it.

Annotation, Finding 109: Defendants' Post-Trial Brief, R 3119/101-103

110. The false impressions Plaintiff sought to convey as stated in Findings 106 through 109 were at least in part entertained by the Patent Office Board of Appeals, since the Board clearly regarded the UNITAB liner to be an outgrowth and manifestation of Anderson's invention and the commercial success of the UNITAB liner to redound to the benefit of Anderson's invention.

Annotation, Finding 110: Defendants' Post-Trial Brief, R 3119/105-106

111. The claims in issue all of which were presented to the Patent Office as stated in Findings 87 and 102, were consistently rejected by the Patent Office Examiner as lacking invention. In an effort to overcome such rejection, Rentsch executed, and O'Brian filed several affidavits in the Patent Office reporting alleged greatly improved and "unexpected" results obtained by the use of the so-called "Anderson Shims" in Plaintiff's own

cement kiln. False allegations, in substance the same as those made to Kaiser as stated in Finding 44, were contained in the Rentsch affidavits filed in the Patent Office. These affidavits were cited and amplified in repeated statements of Plaintiff's attorney O'Brian filed in the Patent Office during the subsequent prosecution of Plaintiff's application before the Examiner and the Board of Appeals in the Patent Office. In substantially all instances, the remarks of counsel were carefully reviewed and in many cases edited by Rentsch before they were submitted to the Patent Office. [R 3743]

Annotation, Finding 111: Memorandum of Decision, R 3705; Defendants' Post-Trial Brief, R 3119/106-124

112. Rentsch's "unexpected results" affidavits and the subsequent arguments based thereon were consciously false and misleading in that they deliberately misrepresented and concealed from the Patent Office material facts and circumstances as follows:

Annotation, Finding 112: Memorandum of Decision, R 3680-3681 and 3705-3706

112(a) Rentsch's true and intimate connection with Plaintiff and his position as attorney-in-fact for the prosecution of the subject application were concealed from the Patent Office, and he was presented as an independent "consulting geologist".

Annotation, Finding 112(a): Defendants' Post-Trial Brief, R 3119/120-121

112(b) Rentsch's limited practical experience in the manufacture of cement and the composition and use of refractories was concealed from the Patent Office.

Annotation, Finding 112(b): Defendants' Post-Trial Brief, R 3119/120-121

112(c) Rentsch's lack of direct personal knowledge of the alleged facts presented as such to the Patent Office was concealed.

Annotation, Finding 112(c): Defendants' Post-Trial Brief, R 3119/119-121

112(d) The fact that the data studied by Rentsch and the performance records upon which the affidavits were allegedly based did *not* actually show the alleged, or any appreciable improvement resulting from spacing *per se* was concealed from the Patent Office.

Annotation, Finding 112(d): Defendants' Post-Trial Brief, R 3119/112-114

112(e) The facts that during the period of kiln study upon which the allegations of improved results were based, several changes other than the installation of "Anderson Shims" were made which, as Plaintiff well knew and as was recorded in its records, materially improved the productivity of the kiln by a factor many times that actually believed by Plaintiff to be due to shims, were concealed from the Patent Office.

Annotation, Finding 112(e): Defendants' Post-Trial Brief, R 3119/114-115

112(f) The facts that the only controlled tests of the “Anderson Shim” had been at Monolith, California and that Rentsch, as he himself well knew, had no [R 3744] accurate, reliable or first hand data as to the use of “Anderson Shims” at Laramie, Wyoming were concealed from the Patent Office.

Annotation, Finding 112(f): Defendants’ Post-Trial Brief, R 3119/117

112(g) The fact that the results of use of the “Anderson Shims” by Plaintiff in its kilns at Monolith, California had been universally “disappointing” and such use had not produced at Monolith the “unexpected results” and benefits allegedly achieved at Laramie was concealed from the Patent Office.

Annotation, Finding 112(g): Defendants’ Post-Trial Brief, R 3119/114-115, 3119/117, 3119/119

112(h) The fact that the use of the claimed combination of basic brick with spaced shims (allegedly the essence of Anderson’s invention) had, prior to the presentation of the Rentsch affidavits to the Patent Office, been abandoned by Plaintiff at Monolith, California was concealed from the Patent Office.

Annotation, Finding 112(h): Defendants’ Brief on Motion, SR 150/29-30

112(i) The fact that Plaintiff had no appreciable knowledge or experience in the use of longitudinal spaced shims was concealed from the Patent Office.

Annotation, Finding 112(i): Pre-Trial Order, SR
70

113. At the time of filing his affidavits in the Patent Office concerning the “unexpected results” as stated in Finding 111, Rentsch lacked, and knew that he lacked sufficient information to make the allegations contained therein and also knew that Anderson’s expressed opinion did not concur with that stated in the Rentsch affidavits and was, in substance, contrary to some of the representations made to the Patent Office.

Annotation, Finding 113: Defendants’ Post-Trial
Brief, R 3119/111-121, 3119/178-183

114. Following presentation of the Rentsch affidavits mentioned in Findings 111 through 113, Plaintiff concluded that for its purposes, it needed to present proof of the merit of Anderson’s invention to the Patent Office through an ostensibly independent [R 3745] source. Seeking such apparent “proof”, Plaintiff sought affidavits from various salesmen of various refractory manufacturers.

Annotation, Finding 114: Defendants’ Post-Trial
Brief, R 3119/106-09

115. One of the potential affiants approached in this manner was a Harbison-Walker Technical Sales Engineer by the name of Oscar M. Wicken. Plaintiff, through its agents, particularly Rentsch and patent counsel O’Brian, composed and induced Wicken to sign,

an affidavit which was filed in the Patent Office on September 16, 1958.

Annotation, Finding 115: Defendants' Post-Trial Brief, R 3119/124-126

116. The Wicken affidavit was, in part, based on a first draft prepared by Rentsch and O'Brian before discussing the matter with Wicken and before it was known that the draft affidavit would be presented to Wicken or any other Harbison-Walker employee.

Annotation, Finding 116: Defendants' Post-Trial Brief, R 3119/125-129

117. The Wicken affidavit which was ultimately filed in the Patent Office alleged the affiant's familiarity with Plaintiff's patent application and the Laramie installation of so-called "Anderson Shims", and also with the industry practice of kiln lining in early 1955. Said affidavit as filed purported to affirm the alleged novelty and merit of spacing of shims from the kiln shell generally without distinguishing between longitudinal and circumferential shims. Rentsch was the real author of [the] material substance [of] the Wicken affidavit in its final form as filed in the Patent Office and that affidavit was grossly false and misleading in many respects, including the following:

Annotation, Finding 117: Defendants' Post-Trial Brief, R 3119/130-135

117(a) The Wicken affidavit as filed stated that in early 1955 it would have been "contrary to manufacturers' recommendations * * * to have in-

stalled such metal plates or shims with such brick so that they were deliberately spaced from the shell of a rotary kiln". [R 3746] The fact was, as Wicken well knew, that such deliberate spacing of longitudinally oriented metal plates and shims with basic brick had been known and practiced by many companies, including Northwest Magnesite Company, a Harbison-Walker subsidiary at Cape May, New Jersey for a long time prior to 1955. Moreover, such practice both by Northwest Magnesite Company at Cape May and by Olin Mathieson at Saltville, Virginia had been described in detail to several other Harbison-Walker customers as a means of preventing heat loss through the shims. The fact of such prior uses and knowledge of spaced shims was specifically called to Wicken's attention and discussed by him with another employee of Harbison-Walker at the time Wicken was asked by Plaintiff to sign the affidavit. Wicken never intended to include the above-quoted statement in his affidavit as applicable to all shims, because he knew it was not true. It was his intent and purpose to limit his comments entirely to Plaintiff's radial, or as he called them, "circular" shims.

Annotation, Finding 117(a): Defendants' Post-Trial Brief, R 3119/132-135

117(b) In the Wicken affidavit filed in the Patent Office, it is stated:

"I am aware of the installation and performance of the Anderson shims as described in the

aforenoted patent application [Anderson's subject application] with conventional basic bricks at the Monolith Midwest Company plant at Laramie, Wyoming * * *". [R 3747]

As Plaintiff well knew, the facts were that Wicken had never seen, nor had he been accurately informed concerning the shim installation referred to, and had never seen, nor had he been accurately informed as to, the content of the Anderson application. Thus, Wicken was, as Plaintiff well knew, in no position to state whether or not *any* installation was "as described" in the application. In particular, Wicken was unaware that the application included reference to any form of longitudinal shims, this fact having been concealed from him by the Plaintiff. In addition to concealing the content of the Anderson application from Wicken, Plaintiff actively misled him by furnishing him only with Anderson's "Circular Shim" report referred to in Finding 45, as a description of the invention as to which he was to make an affidavit.

Annotation, Finding 117(b): Defendants' Post-Trial Brief, R 3119/132-135

117(c) The Wicken affidavit as filed, also contains Wicken's statement:

"* * * I believe that the concept of deliberate spacing, as verified by the results of such installation, possesses all the elements of a meritorious and patentable invention".

This was not in fact Wicken's belief as to spacing *per se* of any and all shims, since he knew

that patentable invention requires novelty and also knew positively that such “deliberate spacing” of conventional longitudinal shims had, as of 1955, long been known and practiced in the lining of rotary kilns with basic brick by various companies including his own employer and its customers and that it was, therefore, not novel and not patentable. [R 3748]

Annotation, Finding 117(c): Defendants’ Post-Trial Brief, R 3119/132-135

118. Wicken did not sign the original draft affidavit in the form that it was first presented to him, but prepared his own substantially modified draft which Plaintiff rejected and never used. The misstatements referred to in Findings 117(a), (b) and (c) were inserted in the final draft affidavit by Rentsch after Wicken had signed and delivered to Plaintiff his draft in which the quoted language had been deliberately omitted. Also, Wicken’s own draft had included certain qualifying language inserted by Wicken to show that he had in mind, and intended his averments to apply, only to the curved or arcuate segmental version of Anderson’s claimed invention. The qualifying language in Wicken’s draft was deliberately deleted by Plaintiff in the revised and final affidavit which was filed in the Patent Office.

Annotation, Finding 118: Defendants’ Post-Trial Brief, R 3119/130-135

119. Although Wicken signed the final draft that was filed, he was induced by Rentsch to do so by falsely

telling him that it was the same in substance as his own draft and changed only to meet Patent Office requirements as to form. Moreover, Wicken was led to believe that his "cooperation" would result in Plaintiff placing substantial orders with his company for brick. Wicken was also told by Rentsch that Plaintiff was under extreme pressure of time and was urged to sign and forward the revised affidavit to Washington without delay. The misrepresentations and urging resulted in Wicken's failure carefully to read and consider the final revised affidavit before he signed it and also resulted in his failure to submit the final draft to the Legal Department at Harbison-Walker, as he had the earlier draft. [R 3749]

Annotation, Finding 119: Defendants' Post-Trial Brief, R 3119/131-135

120. The fraud inherent in the presentation of the false and misleading Wicken affidavit to the Patent Office was further compounded by frequent citation of it by Plaintiff's counsel in subsequent arguments, particularly the language which had been deleted by Wicken in his draft and reinserted by Rentsch in the final draft as filed. Moreover, Wicken was repeatedly referred to as completely "unbiased" and "disinterested". This was an inaccurate characterization of Wicken and his motivation, in view of the hoped for concession from Plaintiff as stated in Finding 119.

Annotation, Finding 120: Defendants' Post-Trial Brief, R 3119/140-141

FRAUDULENT REPRESENTATIONS SPECIFICALLY DIRECTED TO THE PATENT OFFICE BOARD OF APPEALS AND PLAINTIFF'S SCIENTER WITH RESPECT THERETO

121. In October of 1958, Plaintiff, through its agents, including Rentsch, made a survey of cement plants in Southern California by which Plaintiff and Rentsch in particular determined with particularity:

121(a) That Kaiser's UNITAB type of spaced shim installation of which Plaintiff had been advised as early as June 1955, had been continuously in commercial use since a time more than one year prior to the filing date of the Continuation-in-Part application.

Annotation, Finding 121(a): Defendants' Post-Trial Brief, R 3119/94; Exh. PM

121(b) That unitary basic brick and spaced shim articles meeting all the terms of the claims in suit (then under final rejection by the Patent Office) had been manufactured and sold, not only by Kaiser, but by companies other than Kaiser more than one year prior to the filing of the Continuation-in-Part application. [R 3750]

Annotation, Finding 121(b): Defendants' Post-Trial Brief, R 3119/94; Exh. PM

121(c) That what said survey characterized as "experimental work" of the UNITAB type of construction had taken place in 1954 and the installation of which Plaintiff had been informed in June 1955 was not experimental.

Annotation, Finding 121(c): Defendants' Post-Trial Brief, R 3119/94; Exh. PM

122. Notwithstanding the knowledge and information obtained by Plaintiff and especially by Rentsch, as set forth in Finding 121, Plaintiff proceeded to prepare and file its brief on appeal to the Board of Appeals in the Patent Office, which brief contains numerous deliberate misstatements of, and with respect to, said knowledge and information, all of which were calculated to conceal from the Board and others in the Patent Office the fact that articles embodying the invention then in issue had been on sale and in public use for more than a year prior to the filing of the Continuation-in-Part application.

Annotation, Finding 122: Defendants' Post-Trial Brief, R 3119/98, 3119/105-106

123. Rentsch participated extensively in the preparation of the aforesaid appeal brief and at the time he and attorney O'Brian were conscious and acutely aware of the fact that the Continuation-in-Part application contained new matter upon which the appealed claims depended for support and that Plaintiff was not entitled to rely on the original filing date of the parent application for said appealed claims.

Annotation, Finding 123: Defendants' Post-Trial Brief, R 3119/91-92, 3119/96

MATERIALITY OF FRAUD

124. The matters of statutory bar concealed from the Patent Office, as set forth in Findings 97 through 99, were each and all material and important since, if they had been disclosed, they would have furnished to the Examiner a clear and conclusive statutory ground for rejection of the claims in issue and a ground en-

tirely independent of any consideration of commercial success or so-called unexpected results. [R 3751]

Annotation, Finding 124: Memorandum of Decision, R 3702; Defendants' Post-Trial Brief, R 3119/105-106

125. Plaintiff's misrepresentations as to the license negotiations with Kaiser, as set forth in Findings 106 through 110, were material and important since they led the Board of Appeals mistakenly to believe that Kaiser's UNITAB was an admitted embodiment of Anderson's invention disclosed to it and, as a result of such mistaken belief, to hold that commercial success of the UNITAB was evidence of the patentability of Anderson's invention.

Annotation, Finding 125: Defendants' Post-Trial Brief, R 3119/105-106

126. The misrepresentations and concealments with respect to unexpected results, as set forth in Findings 111 through 113, were material and important since they were the stated grounds and assumed factual basis upon which the Patent Office Board of Appeals premised its decision and order reversing the Examiner and allowing the claims in issue.

Annotation, Finding 126: Defendants' Post-Trial Brief, R 3119/137-140

127. The misrepresentations included in the Wicken affidavit, as set forth in Findings 114 through 120, were material and important since they led the Patent Office to believe that spacing of shims generally was a novel concept unknown to the trade in 1955 and such misrepresentations and Plaintiff's other acts set forth in

said Findings concealed from the Patent Office the truth, i.e., that as Wicken and his employer, among others, well knew, such concept had been known and practiced by many persons and companies in diverse locations and for many years prior to Anderson's alleged invention.

Annotation, Finding 127: Defendants' Post-Trial Brief, R 3119/140-142

128. If the truth of any of the matters set forth in Findings 100 through 120 had been known to the Patent Office Board of Appeals, it is reasonable to believe that the Board would have affirmed the Examiner's rejection of all of the claims in issue and Plaintiff would not have obtained a patent containing any of the claims now in suit. [R 3752]

Annotation, Finding 128: Defendants' Post-Trial Brief, R 3119/105-106, 3119/137-142

129. The Court has considered each and all of the misrepresentations set forth in Findings 100 through 120 in the light of the knowledge the Plaintiff's agents had when the representations were made. When viewed in that light, and taken as a whole, they avoid the known truth. An acceptable explanation may be plausible when each small point is isolated from the others, but when the picture is viewed in its entirety, including the Plaintiff's own contemporaneous documents and business records, the fact that the Patent Office was not told the then known truth is inescapable.

Annotation, Finding 129: Memorandum of Decision, R 3706

130. Insofar as the testimony of Plaintiff's witnesses Rentsch, Bechtold, Johnson and Schoonover, and that of Plaintiff's patent attorney O'Brian is inconsistent with the foregoing Findings 1 through 129, or any of them, the Court finds such witnesses to be unreliable and such testimony to be unworthy of belief.

Annotation, Finding 130: Memorandum of Decision, R 3684-3685, 3688

INFRINGEMENT

131. The Court finds Claims 3, 4, 7 and 8 of the patent in suit to be invalid for each and all of the reasons heretofore stated; but, if valid, said claims have been contributorily infringed by Defendant Kaiser, but not infringed by any other Defendant.

Annotation, Finding 131: Memorandum of Decision, R 3707

ATTORNEYS' FEES

132. This was an exceptional case within the meaning of 35 U.S.C. 285 for the following reasons:

132(a) Plaintiff obtained its patent claims in suit through fraudulent representations to the Patent Office (see Findings 100 through 128, *supra*).

Annotation, Finding 132(a): Memorandum of Decision, R 3707

132(b) The litigation was unduly, unnecessarily and unreasonably prolonged by Plaintiff's willful, deliberate and persistent refusal to file its pretrial memorandum of contentions of fact and [R 3753] law as required by this Court's Local

Rules, or to disclose its contentions as related to the pleadings.

Annotation, Finding 132(b): Memorandum of Decision, R 3707; Defendants' Post-Trial Brief, R 3119/163-173

132(c) The conduct of the litigation was further made unnecessarily and unreasonably difficult for Court and Defendants by Plaintiff's willful refusal to cooperate in the pretrial conference in such manner to achieve a meaningful and useful pretrial order and, as a result, such purpose was largely frustrated.

Annotation, Finding 132(c): Memorandum of Decision, R 3707-3708; Defendants' Post-Trial Brief, R 3119/163-173

132(d) The conduct of the litigation was further unnecessarily and unreasonably prolonged and made unnecessarily difficult by Plaintiff's willful and persistent conduct throughout the litigation in concealing from the Court the purpose, if any, of Plaintiff's examination of witnesses and the grounds, if any, for objection.

Annotation, Finding 132(d): Memorandum of Decision, R 3707; Defendants' Post-Trial Brief, R 3119/163-173

132(e) Plaintiff, on frequent occasions throughout the trial, took extreme positions and adopted strained constructions of the evidence, all of which further unduly prolonged the trial.

Annotation, Finding 132(e): Memorandum of Decision, R 3708; Defendants' Post-Trial Brief, R 3119/163-173

133(a) Evidence later submitted by Defendants herein and clearly supporting the facts stated in Findings 89 through 120 was made known to Plaintiff prior to the trial of this action, and the effect thereof was clearly made known to Plaintiff prior to trial. In the face of said evidence, Plaintiff continued to contest every defense tendered and required Defendants to prove all of them. Although Plaintiff represented that it would present evidence rebutting all defenses, it presented [R 3754] virtually no rebuttal evidence on many of the important defenses.

Annotation, Finding 133(a): Memorandum of Decision, R 4669-4670; Defendants' Post-Trial Brief, R 3119/160-163

133(b) Thus, the failure of Plaintiff to concede facts as to which it had no evidence or bona fide reason to contest further unduly prolonged the trial.

Annotation, Finding 133(b): Memorandum of Decision, R 3707-3708; Defendants' Post-Trial Brief, R 3119/160-163

134. Prior to trial, Defendants served on Plaintiff certain Requests for Admissions pursuant to Rule 36, F.R.C.P., which sought admissions of substantial, important and relevant matters of fact. Many of said requests were denied by Plaintiff without good reasons for the denials. Defendants were thus required to, and did prove said matters of fact at trial, which further unnecessarily prolonged the trial and required the testimony of witnesses, some of whom traveled from Pitts-

burgh, Pennsylvania, to Los Angeles, for the purpose of testifying herein.

135(a) After filing of this action and prior to trial, Plaintiff secretly conducted an elaborate *ex parte* experiment in two kilns at Monolith in an attempt to develop evidence to support its contentions as to the value of a short shimmed lining. One kiln was lined with shims between bricks in the ring laid up to be in contact with the shell. The other employed short shims in the ring laid up to have a space of one inch between the cold edge of the shims and the shell. Even through the experiment was weighted in favor of better performance of the kiln with short shims, the results were inconclusive. They failed to establish beyond the probabilities of error that any improvement in either production or lining life [R 3755] was derived by use of short shims. The fact of the weighting and the inconclusive nature of the results were known to Plaintiff prior to trial.

Annotation, Finding 135(a): Memorandum of Decision, R 3674

135(b) The trial was further unduly and unnecessarily prolonged because of Plaintiff's efforts to present the results of the *ex parte* experiment as supporting its contentions, while at the same time attempting to suppress evidence of the weighting and inconclusive character of the results and still further prolonged because of the necessity of extended cross-examination of Plaintiff's witnesses to show the weighting that

was done by Plaintiff in an effort to achieve what would appear to be the desired results and the necessity of further cross-examination and evidence to show inconclusiveness of the results that actually were obtained, and that Plaintiff and its experts knew the results were inconclusive.

136. In view of the facts stated in Finding 133, and the fact that the patent in suit was obtained by fraudulent representations to the Patent Office with respect to unexpected results known by Plaintiff to be without reasonable basis in fact as stated in Findings 111 through 113; and the further fact that Plaintiff had by its own *ex parte* test described in Finding 135 confirmed the fact that a short shim basic brick lining, such as it charged to be an infringement, actually produced no discernible improvement kiln operation, unexpected or otherwise, the Court finds that this action was largely prosecuted in bad faith in that the Plaintiff has substantial grounds to doubt the validity of its patent when the amended complaint was filed and thereafter in the course of discovery the grounds of invalidity were forcefully brought to plaintiff's attention but plaintiff continued to prosecute the action after receiving substantial additional affirmative evidence that [R 3756] the patent was and is beyond any reasonable doubt, invalid and unenforceable and plaintiff chose to present its case in a manner which inextricably combined the patent count with the other counts and resisted every effort to simplify and shorten the discovery and trial by segregation of subject matter.

Annotation, Finding 136: Memorandum of Decision,
R 4665-4670

137. Kaiser has paid and incurred (exclusive of costs and disbursements) in excess of \$424,712.00 on account of legal services of its attorneys thus far rendered in this litigation. Said services comprised an aggregate in excess of 13,559 man-hours. Of such services, an overwhelming proportion were necessarily rendered in connection with defenses of the patent cause.

Annotation, Finding 137: Memorandum of Decision, R 4667; Stipulation, R 4634-4639

138. Giving due consideration to the amount actually paid and incurred by Kaiser for legal services as stated in Finding 137, and mindful of the fact that some services would have been necessary in the defense of this action even if Plaintiff had not joined the patent cause therein and had not engaged in any of the dilatory practices referred to in Findings 132 through 135, and giving due consideration also to the nature of Plaintiff's conduct as set forth in said Findings, and to any and all countervailing equities in favor of Plaintiff, the Court finds the sum of \$280,000 to be a reasonable attorneys' fee for services of Defendants' attorneys in this exceptional case. The Court further finds that Defendants are entitled to said sum as an award under 35 U.S.C. 285 and Federal Rules of Civil Procedure, Rule 37(c).

139. Any and all Findings of Fact hereinafter included in the statement of the Court's Conclusions of Law are hereby adopted as part of the Court's Findings of Fact. The Memorandum of Decision heretofore filed in this action is hereby incorporated by reference. [R. 3757]

CONCLUSIONS OF LAW*

1. Any and all conclusions of law hereinbefore included in the statement of the Court's Findings of Fact are hereby adopted as part of the Court's Conclusions of Law.

2. The Court does not have jurisdiction over Defendant Pete Olive but has jurisdiction over the persons of all of the other parties hereto.

3. The action has been dismissed without prejudice as to Defendant Pete Olive.

4. The Court has jurisdiction over the subject matter of the action as framed in the First Amended Complaint as modified and amended by the pre-trial order. The Davis patent (U. S. Patent No. 2,829,877) issued to Defendant Kaiser Aluminum & Chemical Corporation is not a patent in suit.

5. The only confidential or trust relationship between Plaintiff and Defendants which existed at any time related solely to Plaintiff's radial shim development. Such confidential relationship was never violated at any time or in any manner by Defendants, or any of them.

6. There was at no time any express contract, oral or in writing, between Plaintiff and Defendants, or any of them, relative to the claims of Plaintiff in this litigation or any of said claims. Specifically, there was no express agreement by Defendants, or any of them, to pay Plaintiff for the use of what Plaintiff has characterized herein as technical information or trade secrets or simply valuable information, either upon the

*As revised by Court.

basis of the reasonable value thereof, or otherwise.
[3758]

7. The only implied-in-fact contract between Plaintiff and Defendants which existed at any time was between Plaintiff and Defendant Kaiser and related solely to Plaintiff's radial shim development. Defendant Kaiser has never repudiated or violated such implied-in-fact contract.

8. There was at no time any implied-in-law contract between Plaintiff and Defendants, or any of them, with respect to any claim of Plaintiff in this litigation, and none of Defendants became unjustly enriched by reason of any conduct shown herein.

9. None of the information disclosed by Plaintiff to Defendants, or any of them, was used to obtain Davis Patent No. 2,829,877 and the Davis patent is not a patent upon an invention of Plaintiff.

10. The Defendants, and each of them, have neither misappropriated any of Plaintiff's trade secrets or technical or other information, nor committed any acts of unfair competition against Plaintiff; and none of Defendants has committed any other legal wrong against Plaintiff relative to its claims involved in this litigation, or any such claim.

11. The statute of limitation applicable to Plaintiff's First through Fifth Causes of Action, except insofar as the Fifth Cause of Action claims breach of an express contract in writing, is California Code of Civil Procedure, Section 339(1), providing a two-year limitation on such actions. Said statute was not tolled, and Plaintiff's First through Fifth Causes of Action, with the exception noted, are each and all barred by said statute. [3759]

12. Plaintiff is not entitled to any relief under its First through Fifth Causes of Action, or any of them, and Defendants are entitled to a judgment dismissing all such causes of action, and all claims for relief therein, on the merits.

13. The date of F. J. Anderson's purported invention in issue, as defined by Claims 3, 4, 7 and 8 of U. S. Patent No. 2,895,726, the patent in suit herein, was no earlier than September 14, 1953.

14. The presumption of validity normally arising from the grant of a patent is, in the case of each of said Claims 3, 4, 7 and 8, rebutted and substantially destroyed by reason of the fraud and misrepresentation practiced by Plaintiff on the Patent Office to procure said claims, and each thereof, and by the failure of the Patent Office to cite or consider the most pertinent prior art as to such claims.

15. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and void because the invention defined therein was known and in actual use by others in this country before the purported invention thereof by F. J. Anderson (35 U.S.C. 102(a)).

16. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and void because the invention defined therein was described in a printed publication in this country before the purported invention thereof by F. J. Anderson (35 U.S.C. 102(a)).

[17 Omitted] [3760]

18. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and void because the differences, if any, between the subject matter sought to be patented and the prior art are such that the subject matter as a

whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which the subject matter pertains (35 U.S.C. 102-(e) and 103).

19. Each of said Claims 3, 4, 7 and 8 of the patent in suit is based upon new matter disclosed to the Patent Office for the first time in the Continuation-in-Part application that eventually matured into the patent in suit, and therefore the effective filing date for such claims was no earlier than December 26, 1956, the filing date of said Continuation-in-Part application.

20. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and void because the invention defined therein was described in a printed publication more than one year before the effective filing date for such claims (35 U.S.C. 102(b)).

21. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and void because additional new matter upon which said claims are based was introduced by amendment into the Continuation-in-Part application after December 26, 1956, the filing date of such application (35 U.S.C. 132).

22. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and void because the invention defined therein was in public use and on sale at various and diverse times and places in this country, some of which were more than one year before the effective [3761] filing date for such claims and others of which were more than one year prior to February 4, 1955, the filing date for the original application upon which the Continuation-in-Part application was based (35 U.S.C. 102-(b)).

23. Each of said Claims 3, 4, 7 and 8 of the patent in suit is invalid and unenforceable because procured by fraud practiced on the Patent Office.

24. Since each of said Claims 3, 4, 7 and 8 is invalid on each of the grounds hereinabove set forth, none of such claims is infringed; but if valid, Claims 3, 4, 7 and 8 have been contributorily infringed by Defendant Kaiser, but not infringed by any other Defendant.

25. Plaintiff is not entitled to relief under its Sixth Cause of Action (patent infringement) and Defendants are entitled to a judgment dismissing such cause of action, and every claim for relief stated therein, on the merits.

26. This is an exceptional case within the meaning of 35 U.S.C. 285, and reasonable attorneys' fees should be awarded to Defendant.

27. The Defendants are entitled to judgment against the Plaintiff in the sum of \$280,000.00 as reasonable attorneys' fees, together with their costs of suit.

Dated: Jan. 5, 1967.

/s/ Albert Lee Stephens, Jr.
United States District Judge

Received a copy hereof on July 15, 1966 at 11 A.M. and the same is APPROVED/DISAPPROVED AS TO FORM. Acknowledged.

Norman Elliott

Attorneys for Plaintiff [3762]

No. 21,775

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

MONOLITH PORTLAND MIDWEST
COMPANY, a Nevada Corporation

Appellant,

v.

KAISER ALUMINUM & CHEMICAL
CORPORATION, KAISER ALUMINUM
& CHEMICAL SALES, INC., GEORGE
C. DAVIS AND PALMER FORD,

Appellees.

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C. DAVIS AND PALMER FORD,

Appellees.

APPELLANT'S REPLY BRIEF

INTRODUCTION

We find that Appellees Brief is notable in its lack of any attempt to meet or refute in specific terms many of the points of controlling importance raised in our opening brief. Rather, Appellees have, for the most part, contented themselves with sweeping generalizations and have included copious references to their *briefs* filed in the proceedings below, but precious few to the record itself. While those briefs make reference to the record, it would appear that Appellees consider it essential to present their position to this Court in the filtered light of the commentary in those briefs rather than in the clear and uncompromising light of the record itself.

In the same vein, Appellees' Brief appears to be more an effort to convince this Court that Findings of Fact, as such, are impregnable rather than to point out evidence which will support them. Indeed, we submit that Appellees do protest overmuch at page 150 of the appendix to their brief when they contend that the admittedly "few instances" when their "annotated" Findings refer "directly to the evidence" should not be taken as an admission that the Findings lack supporting evidence. The fact is that Appellees have chosen to hide behind the Findings of Fact and Memorandum of Decision rather than to meet Appellant's challenge on the only appropriate field of combat, the record itself.

Appellees' Brief does, however, require some comment for the purpose of correcting inaccuracies and to point out unwarranted speculation.

RULE 52(b)

Throughout their brief, Appellees place great emphasis on the fact that Appellant did not object to the Findings of Fact adopted by the trial court (see Appellees' Brief pp. 9, 27, 71). Rule 52(b) of the Federal Rules of Civil Procedure states that when findings of fact are made,

"... the question of the sufficiency of the evidence to support the findings may thereafter be raised whether or not the party raising the question has made in the district court an objection to such findings or has made a motion to amend them or a motion for judgment."

True, as Appellees state (Brief p. 26) Local Rule 7 of the district court does provide for the preparation of findings of fact, but requires that "the findings of fact shall be set out in *concise* narrative form. . . ." (emphasis added). Thus, in view of our right not to object,

Monaghan v. Hill, (9 Cir. 1944) 140 F.2d 31 and *Bingham Pump Co. v. Edwards*, (9 Cir. 1941) 118 F.2d 338; and in view of the lack of conciseness in the findings of fact, such objections would have been considered by the trial court, we believe, to be an attempt to retry the case. Accordingly, we have no doubt that any objections by Appellant to them would have resulted only in a further charge by Appellees of undue prolongation.

We also believe it appropriate to point out that Appellant's notice (R.4640) that it would not file objections to the proposed findings specifically preserved Appellant's rights under Rule 52(b), and that the implication at page 71 of Appellees' Brief that the court ordered Appellant to oppose these findings is misleading. The Court order (R.3793) simply extended the time within which objections *could* be filed and in no way required Appellant to file such objections.

ALLEGED CONCEALMENT OF STATUTORY BARS Sale Of Part Of An Invention Cannot Be A Statutory Bar

Because it is crucial to an informed review of the proceedings below, we repeat here that the trial court committed reversible error when it held that the sale of *brick* in 1955 to Riverside and Southwestern was a statutory bar, because the invention claimed in the patent in suit was not *brick*, but rather a *lined kiln*. In this regard, we refer the Court to our discussion of this point at pages 51 through 54 and 63 and 64 in our opening brief. We acknowledge with apology our misquotation of the decision in *Hemphill Co. v. Jordan*, (M.D. N.C. 1949) 86 F.Supp. 248, 250-251, which is pointed out at page 38 of Appellees' Brief. However, we do take serious exception to Appellees' attempt to dispose of the importance of the decision in *Hemphill* on the basis of that immaterial accident. It is fundamental that a sale takes place when goods

are appropriated to the contract or when the contract is made and physical delivery is not necessary to the transfer of title. *Winborne v. McMahan* (Supreme Ct. N.C. 1934), 206 N.C. 30, 173 S.E. 278. Since the goods in *Hemphill* were shipped on January 30, 1932, they must have been appropriated to the contract at least as early as that date which was prior to the statutory bar date of February 3, 1932. Thus, *Hemphill* stands for precisely the proposition for which we relied upon it in our opening brief, viz., sale prior to the statutory bar date of unassembled parts which parts may at some subsequent time be assembled to comprise the patented invention is not a statutory bar because that which has been sold is not the invention itself. Thus, Appellees' attempt to capitalize on our inadvertently incomplete quotation is of no avail.

Appellees' attacks on our contentions in this regard, both of which may be aptly characterized as sloganeering, are as follows:

1. Experimental use is a question of law (page 36 of Appellees' Brief) — a bald effort to limit this Court's review to conclusionary Finding of Fact No. 99 and prevent it from evaluating the underlying facts which are *undisputed*.

2. Since the trial court found Kaiser's sale of short-shimmed brick to be contributory infringement, the maxim "that which infringes if later, anticipates if earlier" brings about a metamorphosis of the 1955 sales of brick into statutory bars (page 37 of Appellees' Brief) — a play on words which sacrifices substance on the altar of form.

As to the first, it suffices to refer to pages 57 and 58 of our opening brief and to repeat that Findings 55-58, 62 and 98 which are incorporated by reference in Find-

ing 99 fall far short of stating the requisite facts for a statutory bar. At best, these findings are directed to sales of *brick* and use of such *brick* by *installation* in a kiln, *not* to sale or use of the patented invention, a lined kiln.

As to the second, we need only point out that contributory infringement, by definition, involves *less* than all of the invention. Thus, the trial court's finding that sale of brick amounts only to contributory infringement and not to direct infringement is telling confirmation of our position that sale of such brick could not constitute a statutory bar. If, as Appellees apparently insist, the matter is to be expressed as law by cliché, let it be correctly expressed as "*only* that which *directly* infringes if later, anticipates if earlier." We trust that this Court will find the rational precedent discussed on pages 52-54 of our opening brief far more compelling than Appellees' play on words.

New Matter

Appellees continue to argue that the claims in suit below depended upon new matter, noting Findings of Fact 80 through 87 and commenting that we have not challenged these Findings (Appellees' Brief p. 32). Appellees here simply complain about form without regard to substance inasmuch as we extensively considered and refuted their contention of new matter (Appellant's Brief pp. 66-71) in our treatment of Finding of Fact 102.

The Halstead Affidavit

The last paragraph on page 33 of Appellees' Brief could hardly be more inaccurate in describing Patent Office practice. Patent Office Rule 196(b) in effect at the time the Halstead affidavit was filed during prosecution

of the patent application which issued as the patent in suit provided:

“Should the Board of Appeals have knowledge of any grounds not involved in the appeal for rejecting any appealed claim, it may include in its decision a statement to that effect with its reasons for so holding, which statement shall constitute a rejection of the claims. . . .”

Thus, unlike conventional appellate practice, the administrative appellate practice of the Patent Office expressly provides for institution of new grounds of rejection for the first time by the Patent Office Board of Appeals. Thus, there would have been no procedural inhibition whatsoever on the Patent Office Board of Appeals had it considered the Halstead affidavit to disclose a ground for rejecting the claims before it. Consequently, if, as it must in the absence of any showing to the contrary, full faith and credit is given to the statement by the Board of Appeals that it considered “all of the affidavits and other evidence submitted by appellant” (Ex. 2/V, page 347), the only possible conclusion is that the Board of Appeals gave full consideration to this question and decided it in Appellant’s favor. Having so decided the point in Appellant’s favor, there was no need for the Board of Appeals to mention this in its decision since Rule 196(b) requires only that new grounds of rejection be expressly stated, not that grounds of rejection which are considered and discarded be mentioned.

Appellees’ attempt to make much of the assertion that there was “delay” in filing the Halstead affidavit (Appellees’ Brief, page 34). However, this line of argument establishes, at best, only that Appellant’s employee Rentsch might have been able to execute an affidavit to the same effect at a date earlier than that on which the

Halstead affidavit was filed, *not* that *Halstead*, an employee of a *competitor* of Appellant was available at a date earlier than that on which the affidavit was filed. Thus, Appellees' charge of "perfidy" (Appellees' Brief, Page 34) is supported by no evidence of any kind.

Furthermore, in the context of determining whether Appellant concealed statutory bars from the Patent Office, the significance of the Halstead affidavit is in no way concerned with *when* it was filed, but rests solely on the fact that it *was filed*. If concealment was Appellant's purpose, it is inconceivable that it would make a clear and unequivocal disclosure of that which it is charged with concealing, *United States v. Cold Metal Process Co. et al*, (6 Cir. 1947) 164 F.2d 754.

The 1955 Uses By Riverside And Southwestern Were Experimental

At page 39 of their brief, Appellees contend that the testimony of Mr. Woodward of Southwestern "demolished" the proposition that the 1955 use by that company of Kaiser's short-shimmed brick was experimental as well as the proposition that Appellant could have held a good faith belief that Southwestern's use was experimental. Not so. The Woodward episode is so revealing that we have reproduced it at pages 39-61 of the Appendix to our opening brief. That excerpt tells the whole story with Appellant's counsel attempting to elicit testimony with regard to experimental use (Appellant's Appendix, p. 46). counsel for Appellees insisting that such use could not possibly be experimental because Southwestern purchased the bricks used in the experimental lining (Appellant's Appendix, pp. 44-45), the court's acceptance of Appellees' view (Appellant's Appendix, p. 51) and, finally restriction by the court of Appellant's examination to the question of whether experiments were conducted by

Southwestern *on behalf of Kaiser* (Appellant's Appendix, p. 53). Thus, as pointed out at pages 60-62 of our opening brief, the court committed reversible error when it prevented Appellant from examining Mr. Woodward as to whether the 1955 use by Southwestern was experimental.

Furthermore, as pointed out at pages 59 and 62 of our opening brief, Kaiser's own documents, Ex. 183/FZ and Ex. 186/GA, establish that the 1955 uses by Riverside and Southwestern, respectively, were indeed experimental. Understandably, Appellees failed to comment on either of those exhibits in their brief.

The Petition To Make Special

Appellees' speculation (Brief pp. 48-49) that the Examiner withdrew the Davis patent since he was convinced Appellant could "swear back" of the Davis reference under Rule 131 of the Patent Office because of the affidavit attached to the Petition to Make Special is not supported by the record. First, the relevant comment by Appellant (R.2029-2030) in the prosecution of the Anderson C-I-P application referred to the Anderson parent patent application and offered to supply an affidavit under Rule 131 if necessary, rather than basing the offer on the allegations in the Petition to Make Special as now contended by the Appellees. Clearly, in light of Patent Office practice if the Examiner had thought that the Davis reference could only be removed under the requirements of Rule 131 rather than by reliance on the relation back of the C-I-P to the parent application, he would not speculate but would have required such an affidavit from Appellant. Second, Rule 131 requires a showing of facts sufficient to establish reduction to practice prior to the filing date of the Davis patent, or conception of the invention prior to the filing date coupled with due diligence to a subsequent reduction to practice or filing of an application. The rule

further requires originals or photocopies of drawings or records or an explanation of their absence from the affidavit. Not only did the district court not find that the facts alleged in the Petition to Make Special would have constituted a sufficient showing under Patent Office Rule 131, but also the allegations contained in the Petition would not have been sufficient compliance with Rule 131 so as to take the place of a Rule 131 affidavit. We submit that Appellees have failed to rebut our clear showing (Appellant's Brief pp. 70-71) that on the one occasion when the Patent Office was called upon to make its own determination with regard to the question of "new matter" it decided in favor of Appellant, and have offered only unwarranted speculation.

THE CONFIDENTIAL INFORMATION CAUSE OF ACTION

We agree with the Appellees (Appellees' Brief p. 10) that the invention and trade secret which is the heart of the controversy is "extremely simple". Yet, Appellees' contention that they possessed for years a full knowledge and understanding of the use of short shims contrasts sharply with the undisputed facts which are that appellees (1) received in August 1953, and thereafter, information from Monolith concerning the desirability and usefulness of short shims in cement kiln linings, (2) thereafter commenced to use short shims embodied in their UNITAB kiln liner, promoted the use thereof and sold them to others, and (3) filed the patent application of Davis directed to the UNITAB liner, the *only* new feature of which was the flanged short shim.* The fact that, for a long period of time, Kaiser had used *full* longitudinal shims and moved to *short* shims *only* after the disclosure

*All else had been disclosed in Appellees' prior Wilkins Patent No. 2,915,893 filed March 27, 1953 (Exhibit 17).

of short-shimming to it by Monolith makes Kaiser's contention transparently insubstantial.

This, taken with the district court's finding that there was a confidential relationship between the parties (Finding of Fact No. 68, R.3726), makes it logically impossible to reach the conclusion that Appellees did not misappropriate confidential information disclosed by Appellant (see pages 109 and 119 of Appellant's Opening Brief).

The testimony of Mr. Bert Oberg set forth at pages 80-82 of Appellees' Brief is enlightening only when considered *in context*. Mr. Oberg was there testifying concerning Kaiser's failure to supply instructions pertaining to the use of its refractories, and the preparation of instructions by Monolith explaining a suitable mode of installation of such brick (Tr.2971, line 6 through 2972, line 20). Oberg further explained that the information supplied to Kaiser was *routine*, as distinguished from trade secrets:

“BY MR. ELLIOTT:

Q What type of information did you furnish to Kaiser as you described it to Mr. Rieber generally yesterday? Specifically, what information did you disclose or give to Kaiser in the years that followed?

A It was routine information in regards to the installation of the Kaiser refractories. It included the location of where the brick was placed in the kilns, the number of brick and shims used, the lining lives, the status of refractories' inventory and as we mentioned the instructions.” (Tr.3097)

STATUTE OF LIMITATIONS

We are at a loss to understand Appellees' contention (Appellees' Brief pp. 85-86) that we have for the first

time raised the “continuing tort” theory with respect to the Statute of Limitations question. In “Plaintiff’s Response to Pre-Trial Memorandum of Defendants re Order of Proofs” (R.1639-1662), which Appellees state contains nothing about a “continuing tort” (Appellees’ Brief p. 85), this precise issue is raised at R.1655 and is referred to in the footnote at R.1653. The issue of “continuing tort” was also raised at R.1760 in “Pre-Trial Conference Order — REV. I (Cont’d)” (R.1751-1760), and in Exhibit VII to the adopted “Pre-Trial Conference Order” filed November 8, 1963 (SR. 30-149) at SR. 118. Furthermore, there was no finding by the trial court that no continuing tort existed.

With regard to the *Thompson* decisions referred to on page 86 of Appellees’ Brief, we want to point out that Appellees, as did we in our opening brief, have miscited *Thompson v. California Brewing Co.*, 191 Cal.App.2d 506 (1961) as having been decided in 1951. Thus, the discussion of this case in Appellant’s Brief did in fact concern the final decision.

ATTORNEYS FEES

The Piggie Park Case

Appellees have (Appellees’ Brief pp. 94 & 97) attempted to find some comfort in *Newman v. Piggie Park Enterprises, Inc.*, 390 U.S. 400, 19 L.ed.2d 1263 (1968), which they assert to be contrary to the long and unbroken line of authority represented by *Arcambel v. Wiseman*, 3 Dall. 306, 1 L.ed. 613 (1796); *Oelrichs v. Spain*, 82 U.S. 211, 21 L.ed. 43 (1872); *Farmer v. Arabian American Oil Co.*, 379 U.S. 227, 13 L.ed.2d 248 (1964) and *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 18 L.ed.2d 475 (1967) which line of authority compels the conclusion that it is settled American policy

not to permit an award of attorney fees in a case such as the present one on the “general equity power” of the courts. However, *Piggie Park* is of no help to Appellees.

Indeed, *Piggie Park* is precisely the same type of case as was *Rolax v. Atlantic Coast Line R. Co.*, 186 F.2d 473 (4 Cir. 1951), which was discussed at pages 28 and 29 of our opening brief. In both *Rolax* and *Piggie Park* the action was one brought by a disadvantaged negro which, if successful, would result in benefit to other non-litigant members of an identifiable group (union members in *Rolax* and restaurant patrons in *Piggie Park*). Thus, both of these cases involve creation of a “common right” and are closely analogous to the common fund situation presented in *Sprague v. Ticonic National Bank*, 307 U.S. 161, 83 L.ed. 1184 (1939) and Appellees here cannot claim to have created either a common right or a common fund.

Indeed, if anything, Appellees’ position finds even less support in *Piggie Park* than it did in *Rolax* for *Piggie Park* involved an award made on the basis of *statutory* authority, 42 U.S.C. 2000(a)-3(b), and not on the basis of some “general equity power”. *Piggie Park* is also even further removed than *Rolax* because the statute upon which the award was there based does not even require a showing of bad faith or any other type of inequitable conduct. Rather, that statute, also known as Section 204(b) of the Civil Rights Act of 1964, provides that the trial judge may award attorney fees whenever, in his discretion, such an award is appropriate. This is, of course, as it should be because, just as in common fund cases such as *Sprague*, cases brought under civil rights legislation often work to the benefit of significant numbers of non-litigants who in no way contribute to prosecution of the litigation.

The footnote quotation from 6 Moore Federal Practice 1352 (1966 Ed.) in *Piggie Park* to which Appellees' attempt to attach so much significance is pure dicta which is in no way part of the holding in *Piggie Park*. Indeed, Appellees' admission (Appellees Brief, Page 94) that the quotation from Moore follows a discussion of the common fund case of *Sprague v. Ticonic National Bank*, *supra*, is telling in that it reflects the fact of the matter, viz., that no support is given by Moore for the quoted statement which is nothing more than Moore's view of what the law *should be*, not what the law is. We are confident that this Court will not give more weight to Professor Moore's suggestion than to the rulings of the Supreme Court in *Arcambel*, *Oelrichs*, *Farmer* and *Maier*.

The Applicable State Law

Appellees have not challenged Appellant's position (Appellant's Brief, Pages 31-35) that state law is applicable to any non-patent attorney fee award in this case and attempt to sluff off the effect of state law in a single paragraph on page 96 of their brief. Significantly, Appellees do not even mention Section 1021 of the California Code of Civil Procedure which we submit to prohibit any award of attorney fees for non-patent services in the present case. Thus, this point comes to this Court effectively conceded by Appellees.

The Carter Case

At page 93 of their brief, Appellees state with regard to the decision in *Carter Products, Inc. v. Colgate-Palmolive Co.*, 214 F.Supp. 383 (D. Md. 1963) that:

“No allocation was made in *Carter* as between respective services rendered in connection with the

patent phase and the trade secret phase of the case . . .”

If, by this, Appellees are attempting to suggest that there is some support in *Carter* for the holding of the trial court in the present case (R.4665) that attorneys fees for non-patent services may be awarded under the patent statute, 35 USC 285, they misconceive *Carter* entirely. Rather, as pointed out at page 23 of our opening brief, the court in *Carter* said at 214 F.Supp. 414:

“There is no similar statute with respect to the trade secret issues. Any such award must be based on the inherent power of a federal court to award attorneys’ fees as costs in certain types of cases.”

While the court committed error in *Carter* by finding that it did have such inherent power (see pages 29 and 30 of our opening brief), it did not commit, however much Appellees would have it otherwise, the additional error of basing an award of fees for non-patent services on the patent statute.

Awards To Defendants In Patent Cases

Appellees’ predilection for positions based on form rather than substance necessitates comment concerning the footnote of page 90 of Appellees’ Brief regarding *Rayonier v. Georgia Pacific Corp. Georgia-Pacific*, although a defendant in form, was the patent owner in a declaratory judgment action and thus stood in the substantive position of a plaintiff. Thus, the award in *Georgia-Pacific* is in no meaningful way in conflict with our representation to this Court (Appellant’s Brief p. 104) that the largest reported amount awarded to a prevailing substantive defendant in a patent case as attorney fees was \$40,000.00. However, we do want to point out a case reported after Appellant’s Brief was

filed, *Barr Rubber Products Co. v. Sun Rubber Co.*, (S.D. N.Y. 1968) 279 F.Supp. 49, wherein an award of \$60,179.68, was made to a prevailing plaintiff in a declaratory judgment action. Although the award was higher than in *Young v. General Electric Co.* (N.D. Ill. 1961), 96 F.Supp. 109, the court in *Barr* made drastic reductions involving matters on which the losing party prevailed and an additional reduction apparently based primarily on duplication of effort and non-essential services.

CONCLUSION

We believe that Appellees have failed to refute our assignment of the errors made by the trial court below, and have not answered the questions presented by this appeal other than in sweeping generalities. As we have stressed in our opening brief and in this reply brief, we believe that many substantial errors were committed below and we ask this Court to reverse the rulings of the district court on each of the issues presented in this appeal.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

By.....

JAMES W. GERIAK

NO. 21778

United States
Court of Appeals
for the Ninth Circuit

THUMAN EUGENE STANPHILL,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

*On Appeal from the Judgment of the United States
District Court for the District of Oregon*

BRIEF OF APPELLEE

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FILED

AUG 25 1967

WM. B. LUCK, CLERK

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United States
Court of Appeals
for the Ninth Circuit

THUMAN EUGENE STANPHILL,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

*On Appeal from the Judgment of the United States
District Court for the District of Oregon*

BRIEF OF APPELLEE

The Appellee, United States of America, accepts Appellant's "Jurisdictional Statement."

**STATEMENT OF EVIDENCE REBUTTING APPELLANT'S
MINISTERIAL CLAIM**

Appellant Stanphill submitted his Classification Questionnaire on September 4, 1959, and did not then claim to be a minister, student preparing for the ministry, nor a conscientious objector. (SS File-11, 13)¹ Stanphill stated he was a married chainman, working 40 hours a week, and receiving \$250.00 a month from the Oregon State Highway Commission. (SS File- 13, 14) He was classified 1-A.

¹ SS File — Appellant's Selective Service File.

Stanphill was employed by the Lake County Road Department in 1960, and in 1961 he worked at the Bunker Hill Zinc Plant. However, in 1962, Stanphill was self-employed in ranch work, hauling hay. (SS File- 227, 230, 232)

On July 9, 1962 Appellant Stanphill reported he was separated from his wife and that he was not maintaining a bona fide home for his child. He was instructed that this would put him in line of call again, and Stanphill stated he didn't think he would have to go anyway because he was a conscientious objector. (SS File-225)

Stanphill submitted a Special Form for Conscientious Objectors on July 20, 1962 and stated he was baptized a Jehovah's Witness on October 25, 1958, and, as such, had studied the Bible since 1957. (SS File - 2)

The Appellant was a Jehovah's Witness before he married, but promised to give up his religion after his wife married him. He *gave up his religion* from the spring of 1959 until his wife left him in June, 1962. His *reason for deserting his religion* when he married was that he thought his prospective in-laws would hold it against him if they knew he was really a Jehovah's Witness. (SS File-212)

On May 21, 1964, Stanphill reported moving to

East Ely, Nevada, and enclosed a "Newspaper clipping of me and why I came to East Ely, Nevada." (SS File - 176) The article from the Ely Daily Times, dated May 15, 1964, quoted Stanphill as being an unmarried *minister* newly arrived to preach. "He is employed at a local grocery store in the produce department." (SS File - 176)

On June 7, 1965, Stanphill reported that he had been employed one year with the City Gas Company at East Ely, Nevada. (SS File - 115) In a letter of the same date, the Appellant requested a ministerial classification and admitted that he worked 40 hours a week for the City Gas Company in order to support his daughter as well as himself. Stanphill wrote that there were 20 *persons in the East Ely congregation* and that "only the Congregation servant and I are the only qualified male members to handle the affairs of the congregation here." (SS File - 111, 112)

Appellant also wrote "my ministry is my primary vocation and my secular work is secondary." Stanphill submitted no evidence of time spent as a minister nor did he submit a regular Pioneer certificate. However, he enclosed a letter dated September 17, 1964 from the Watchtower Bible and Tract Society appointing him, a publisher, to Assistant congregation servant, Literature servant, Ministry school servant and Book study conductor. (SS File - -112)

On June 25, 1965, Appellant Stanphill submitted letters in verification of his ministerial claim. The Ely Congregation servant, Oren Burnett, wrote that Stanphill "devotes time to preparing and conducting a book study at our Kingdom Hall weekly. Prepares and conducts a ministry school weekly. Also serves as Assistant Congregation servant: Aside from these appointed duties, serves *many* hours in the field ministry preaching and teaching." (SS File - 107)

Miss Esther Morris stated that since August, 1964, Stanphill had been boarding with her and "he has been conductor of at least two of our meetings every week and as service center conductor he has taken a *leading part* in the house-to-house ministry, in the training of other ministers and conducting home Bible studies himself." (SS File - 108)

A letter from Appellant Stanphill received August 13, 1965, advised that he *averaged 30 hours a month in actual preaching from door-to-door*. He attended five meetings a week "which is around 21 additional hours plus my time in preparing for these meetings." Instructing the congregation came to an average of 25 hours a week and "all of these comes to around 76 hours a month that I engage in my ministry work." Stanphill again admitted holding down a 40 hour a week job and ended his letter as follows:

"However, I am engaging in the maximum time in which *my affairs can allow as being a minister* in Jehovah's Service." (SS File - 89)

Appellant was continued in his 1-O classification and requested a personal appearance before his local board on August 30, 1965. (SS File - 87) On September 5, 1965, Stanphill requested postponement of his personal appearance until October, 1965. (SS File-85) Moreover, on September 20, 1965, Stanphill requested that his case be transferred for personal appearance to the State Appeal Board in Nevada:

"Due to the hardship of the trip and *my having to take around 4 working days of my job off* I would appreciate it greatly if I could have the privilege of appearing before the State appeal Board of Nevada. *This would constitute me only losing one day of work.*

"*I work for a propane gas company* hear (sic) and the weather is as such that we are greatly rushed and in lack of manpower." (SS File - 81)

At a personal appearance before his local board on October 12, 1965, Appellant stated that he had been practicing his ministry since 1958, but now only worked 72 hours a month as a minister. Stanphill claimed it was necessary for him to devote part-time (40 hours a week) to outside employment for personal sustenance and child support. (SS File - 71, 72) Appellant Stanphill submitted a printed copy of "The Sermon

of the Week" indicating that the Sermon of the Week for September 16, 1965 was by the Appellant whose title was listed as *Assistant Overseer*. (SS File - 73)

Stanphill was ordered to report to his board on May 31, 1966 for instruction to proceed to assigned civilian work. (SS File - 42) He was ordered to report to the University of Kansas Medical Center on June 3, 1966. (SS File - 41) Stanphill refused to report either to his board or to the University of Kansas Medical Center as ordered. (SS File - 37, 35)

ARGUMENT

I

APPELLANT FAILED TO SUSTAIN THE BURDEN OF ESTABLISHING ELIGIBILITY FOR MINISTERIAL EXEMPTION

The ministerial exemption claimed by Appellant is a matter of legislative grace and a selective service registrant has the burden of establishing his right to such exemption. *Dickinson v. United States* (1953), 346 U.S. 389, 395, 74 S. Ct. 152 98 L. Ed. 132.

Stanphill was baptized a Jehovah's Witness on October 25, 1958. "This fact alone would not render appellant a minister within the meaning of the Training and Service Act as would entitle him to the ministerial exemption here sought." *United States v. Beatty* (C.A. 6, 1956), 350 F.2d 287, 288-289.

“Under the statutory provisions granting exemptions to ‘regular *** ministers of religion’ the defendant was required to show that the ministry was his ‘customary vocation.’ 50 U.S.C. App. §§ 456(g), 466(g). He was required to demonstrate that he was not merely a person who ‘incidentally preaches and teaches’ the religious principles of a church or sect, but that he is ‘recognized by such church, sect, or organization as a regular minister.’ ” *United States v. Kushmer* (C.A. 7, 1966), 365 F.2d 153, 155-156.

Stanphill failed to sustain his burden of proving that his position in the East Ely congregation of only 20 persons was such that his removal would “leave a flock without its shepherd.” *United States v. Norris* (C.A. 7, 1965), 341 F.2d 527, 530. The East Ely congregation already had a presiding minister when Stanphill voluntarily arrived to “aid the congregation.”

Not only did Stanphill fail to submit any evidence showing he was duly appointed presiding minister of the Ely congregation, he submitted no proof of appointment as a regular Pioneer minister. Moreover, there is no evidence that Stanphill devoted (and submitted monthly reports thereof to his international office) 100 hours per month to ministerial activities in the field. *United States v. Tettenburn* (Dist. Md., 1960), 186 F. Supp. 203. Also see *Badger v. United States* (C.A. 9, 1963), 322 F.2d 902, footnote 5 at pp. 907-908.

Stanphill failed to show that his role was little more than that of all the members of his congregation (e.g. Esther Morris):

“that of spreading among the public the beliefs of Jehovah’s Witnesses, and of educating those already believers in the ways of the faith.”

Despite the fact that Stanphill might have been authorized to do so, “there is no convincing proof that it is a part of his regular task to administer the ordinances or the ‘rites and ceremonies’ of public worship.” *United States v. Stewart* (C.A. 4, 1963), 322 F.2d 592, 595. Stanphill submitted no evidence that he stood in the relation of a minister to a congregation or in an equivalent relation as the recognized leader of a group of lesser members of his faith. *Fitts v. United States* (C.A. 5, 1964), 334 F.2d 416.

II

THERE IS A BASIS IN FACT FOR THE CLASSIFICATION WHICH THE LOCAL BOARD GAVE THE APPELLANT

The local board in the instant case has made a record which negates Appellant’s claim for ministerial exemption. There exists in that record proof which is incompatible with Stanphill’s claim. There is affirmative evidence conclusively showing that Stanphill was a *part-time, half-time, occasional and irregular preacher* of his religion. *Dickinson v. United States* (1953), 346 U.S. 389.

Not only was Appellant a part-time preacher, he was a part-time Jehovah’s Witness. He forsook and

concealed his alleged sect in order to marry his wife; moreover, he deserted his religious practices for a period of three years. When it again became advantageous to do so, he donned the mantle of a Jehovah's Witness and by means of a self-serving newspaper statement foisted himself upon the East Ely, Nevada congregation.

In *Badger v. United States* (C.A. 9, 1963), 322 F.2d 902, this Court, at 907, said:

"Thus the amount of time appellant spent in his ministerial duties, particularly in 'preaching and teaching the principles' of his sect, would be not only a proper standard for determining his classification, but a crucial one as well."

There is proof in the record which is incompatible with Stanphill's claim of ministerial exemption.

On August 13, 1965, Appellant wrote that his ministry work totalled 76 hours a month. However, under oath on October 12, 1965, he stated that he only worked 72 hours a month as a minister. Only an average of 30 such hours were engaged in actual preaching in field ministry.

Stanphill consistently maintained that the ministry was his primary vocation and secular work secondary. Nonetheless, the record clearly shows he recognized the primacy of delivering gas over his alleged ministry:

FIELD MINISTRY — 30 hours a month
DELIVERING GAS — 180 hours a month

In *Fitts v. United States* (C.A. 5, 1964), 334 F.2d 416, the Court, at page 421, said:

“***The defendant freely admitted to Major Weeks that he took part in his religious activities only when he had spare time; when the weather was good and there was farm work to be done, his farming took precedence over his ministerial affairs.”

Stanphill admitted the same when he refused to meet his local board at a gratuitously granted personal appearance to defend his alleged ministerial status. Instead of rushing to the defense of his alleged primary vocation, Stanphill sought postponement and transfer in order to protect his secular work. On September 20, 1965, Appellant wrote:

“Due to the hardship of the trip and my having to take around 4 working days of my job off I would appreciate it greatly if I could have the privilege of appearing before the State appeal Board of Nevada. This would constitute me only losing one day of work.

“I work for a propane gas company hear (sic) and the weather is as such that we are greatly rushed and in lack of manpower.”

As to Stanphill's continual complaint that he has to hold down a 40 hour a week job because he has to support his daughter and himself, the language of

the Court in *United States v. Kushmer* (C.A. 7, 1966), 365 F.2d 153, 156, is apropos:

“***The financial hardship which may have precipitated the defendant's diminished service is unfortunate, but it does not negate the fact that the ministry is not his customary vocation. The facts do not establish his eligibility for the exemption claimed.”

CONCLUSION

The Appellee, United States of America, concludes that there was affirmative evidence in the Selective Service file refuting Appellant's claim to status as a minister. Therefore, the trial court did not err in denying Appellant's motion for acquittal. It is respectfully requested that the judgment of the trial court be affirmed.

Respectfully submitted,

SIDNEY I. LEZAK
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Attorneys for Appellee

CERTIFICATE

I certify that in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that in my opinion, the foregoing brief is in full compliance with those rules.

Dated this 24th day of August, 1967.

MALLORY C. WALKER

Assistant United States Attorney

No. 21779 ✓

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FRANK HALE BENNETT
Appellant

vs

DALLAS ALLEN, et al.
and the PEOPLE OF THE
STATE OF CALIFORNIA
Appellee

APPELLANTS OPENING BRIEF

APPEAL

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APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA.

0

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8 UNITED STATES COURT OF APPEALS
9 FOR THE NINTH CIRCUIT
10

11 FRANK HALE BENNETT)
12 Appellant)

13 vs)

No. 21779)

14 DALLAS ALLEN, et al.,)
and the PEOPLE OF THE)
15 STATE OF CALIFORNIA)
16

APPELLANTS OPENING BRIEF ON APPEAL

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PROCEDURAL STATEMENT

Appellant FRANK HALE BENNETT, was convicted and sentenced for a violation of Section 653 f of the California Penal Code (Solicitation to commit a felony).

, That said sentence was rendered on April 9, 1965, by the Honorable Leo A. Deegan, Judge of the Superior Court of California, in and for the County of Riverside.

That Appellant was sentenced to State Prison, where he is presently confined at Tehachapi, California P.O. Box 107.

1 The first point that Appellant raises on Appeal is the ineffective aid
2 of counsel. The right to counsel not having adverse feelings

3 The denial of adequate counsel at all stages, as guaranteed by the
4 Sixth and Fourteenth Amendments to the United States Constitution.

5 The constitutional right to counsel becomes more meaningful and
6 compelling when it carries with it the Constitutional protections of
7 safeguarding the rights of each member of society.

8 This broadening of the Constitutional *RULE* fits squarely with the facts
9 of the case at bench.

1 Appellant plead guilty after he was mentally coerced and induced to
2 plead guilty by his Attorney Robert Garst, and indirectly by Roland Wilson
3 (Assistant District Attorney) and the Honorable Judge Ritch, the three of
4 them conspiring to induce Appellant to plead guilty by offering Appellant
5 a deal, said deal being probation and at the most county jail time.
6 (See transcript of record on appeal on page 39 Lines 16-22 where it shows
7 by Mr Garsts own admission on his answer to complaint that a partial deal
8 was made).

9 Said admission to a certain extent only confirms Appellants allegation
0 that he was coerced into pleading guilty.

1 Appellant contends that at the very least he should have been protected
2 by the provisions of the California Conditional Plea.

3 A defendant is sometimes willing to plead guilty to a lesser degree of
4 a particular offense or to the particular offense on condition that the
5 lesser punishment (eg. County Jail rather than State Prison, will be imposed)

Formerly this could not be done, but the Legislature enacted in 1955 and 1957, a provision for such a conditional plea by the defendant, with the consent of the District Attorney expressed in open court, and the approval of the court. (See transcript of record on appeal page 19. Mr. Garsts answer to complaint lines 16-22, whereby his own admission a deal was made.

That Mr. Garst (Appellants Attorney) was secretly representing appellants wife in a divorce proceeding against appellant without appellants knowledge.

That the above stated is sufficient in itself to constitute an interest by defense attorney that was adverse to appellant.

That had said attorney properly and adequately without any adverse feelings towards appellant, represented appellant to the best of his ability and within the Professional Code of Ethics, he would not have asked appellant to plead guilty.

That such scheme and trickery is a direct and gross violation of appellants right to adequate counsel as guaranteed by the Sixth and Fourteenth Amendments to the United States Constitution.

"An attorney in the representation of his client in a criminal case in order to fulfill the requirements of the Sixth Amendment to the United States Constitution, SHOULD HAVE NO CONFLICT OF INTEREST, AND MUST DEVOTE HIS FULL AND FAITHFUL EFFORTS TO THE DEFENSE OF HIS CLIENT:

See JOHNS v SNYTH, D.C. Va. (1959) 176 F. Supp. 949.

"Conflict of interest on part of counsel representing both accused and another defendant may be such as to deprive accused of the effective

assistance of counsel guaranteed by the Sixth Amendment to the United States Constitution, and in determining whether such deprivation has occurred, it is immaterial whether such counsel has been appointed by the court or selected by the accused in absence of facts constituting waiver of rights to such assistance (See; CRAIG v U.S. C.A. Ohio 217 F. 2d 355, also INTENS v UNITED STATES, C.A. Ohio (1953) 205 F 2d. 343.

II

That the Honorable Leon R. Yankwichs order granting motion to dismiss complaint, filed by Thomas C. Lynch, for the defendants, Ben Clark, William O. Mackey, Roland Wilson, John Hamilton, Judge E.M. Rich, Judge Leo A Doegan, Frank Bland, James Willis, the Adult Authority of the State of California, G.P. Lloyd and the People of the State of California, should be reviewed by this Honorable Court for the following reasons to wit:

That the above named defendants willfully, deliberately and maliciously, conspired to deprive appellant of his freedom under color of State Law.

An action under any of the Civil Rights Statutes must allege acts done under of State Law. 18 U.S.C.A. Sections 241-242; 28 U.S.C.A. Sections 1331 1343; 42 U.S.C .A. Sections, 1981-1988, 1983, 1985.

Elements of a cause of action for a conspiracy under color of any statute, ordinance, etc., to deprive a person of any right, privileges or immunities secured by the constitution and laws are that defendants conspired or acted jointly or in concert, that defendants acted under color of State Law or authority, a discriminatory intent, that defendants subjected appellant to a deprivation of a right, privilege or immunity. (42 U.S.C.A. Sec. 1981)

That the order signed by Judge Yankwich on November 17, 1966 order

1 granting motion to dismiss complaint, states in pertinent part, "The
2 defendant Judges Prosecutors, Prison Officials and People of the State of
3 California have immunity from plaintiffs suit".

4 Appellants point of appeal to this Honorable Court is that the above
5 named defendants are guilty of conspiracy to deprive appellant of his
6 freedom.

7 Appellant refers this Honorable Court to the Case of UNITED STATES vs
8 CECIL RAY PRICE -- U.S. --, 16 L ed 2d. 267, 86 S ct. Decided on March 28,
9 1964, which states in part: "For the purpose of 18 U.S.C. Section 242,
10 making it a federal offense wilfully to deprive any person under color of
11 law or any rights, privileges or immunities secured or protected by the
12 Constitution or laws of the United States, private persons, jointly engaged
13 with State Officials in the prohibited action, are acting "Under Color of
14 Law"; To act "Under Color of Law" does not require that the accused be an
15 officer of the State, it being sufficient that he is a wilful participant
16 in joint activity with the state or its agencies.

17 The Federal Civil Rights Statute (18 U.S.C. Sec 241), which makes a
18 conspiracy to interfere with a citizens free exercise or enjoyment of any
19 right or privileges secured to him by the Constitution or laws of the United
20 States a criminal offense, includes right or privilege protected by the
21 Fourteenth Amendment, and extends to conspiracies otherwise within the scope
22 of the statute, participated in by officials alone or in collaboration with
23 private persons.

24 Appellant contends that in view of the above Points and Authorities that
25 Dallas Allen (Defendant) comes within the scope of an agent of the State in
26 that he aided the Sheriff in an entrapment against appellant, therefore making

his liability, pursuant to 18 U.S.C. Section 242, along with the witnesses
herein named who are State and County Officials, of the County of Dallas.

That furthermore Judge Yankwich did not even consider the fact that
Dallas Allen, purposely failed to answer the complaint filed against him
as required by the court on its own motion, a response was required to
complaint on the Courts own motion by October 24, 1966.

That a judgment by default should have been entered against Dallas
Allen, for failing to answer complaint according to the summons filed on
August 24, 1966 (See transcript of record on appeal, Page 99).

QUESTION PRESENTED FOR THIS HONORABLE COURTS CONSIDERATION IS AS FOLLOWS:

Robert Garst, Ben Clark, William O. Mackey, Roland Wilson,
John Hamilton, Judge Ritch, Judge Deegan, Frank Bland, James Willis, and
Dallas Allen. DEFENDANTS:

Why was Appellant removed from the Corona Municipal Court jurisdiction
that had original jurisdiction over him, and taken to the Riverside
Municipal Court fifteen (15) miles away?

Appellant was arrested in the City of Corona where the crime was
alleged to have taken place.

Corona California has its own Police force and Municipal Court.
Why were the Corona Police Department not informed of said order by
appellants so that they could participate in the arrest or in the usual
practice, for law enforcement agencies who come from other areas to make
an arrest.

1 APPELLANT WILSON AND THIS CASE STATE UNLAWFUL OVERTHROW OF LAW
2 TERRITORIAL JURISDICTION:

3 The most important is jurisdiction of the "subject matter", no person
4 can be punished for a public offense, except upon a legal conviction in a
5 court having jurisdiction thereof. (P.C. 681).

6 No territorial jurisdiction (See In re WATTS, (1931) 114 C.L. 337, 342,
7 (Justice Court offense committed outside township).

8
9 Local Ordinances: "Each Municipal Court shall have exclusive jurisdiction
10 in all cases involving the violation of ordinances of Cities or Towns
11 situated within the district in which such court is established (P.C. 11-12)

12
13 An omission by counsel cannot confer jurisdiction on court which in
14 fact has no jurisdiction of cause-- LEWIS v SUPERIOR COURT in and for
15 SAN BERNARDINO COUNTY, 69 P. 2d 220.

16 17 CONCLUSION

18 Appellant states: That defendants use of undue influence to browbeat
19 appellant to plead guilty, by offering a deal, merely as a means of getting
20 appellant to plead guilty, deprived appellant of his Constitutional right
21 to a trial by jury. Such arbitrary actions by State Officials under
22 "Color of State Law", is as to abrogate one of the fundamental concepts of our
23 American System of Justice.

24
25 The conviction and sentence of appellant ought to be reversed due to
26 lack of proper representation, and collusion among State Officials.

1 [redacted] (defense attorney) acquired a professional interest
2 in his role of attorney, alien and adverse to appellant in that said [redacted].
3 Robert Garst solicited appellants wife for the purpose of obtaining a
4 divorce for appellants wife from appellant.

5
6 The case herein submitted shows planned coercion, and collusion among
7 State Officials, and the sentencing court had no legal jurisdiction to
8 sentence appellant, to prison and keep him in prison as long as they can.

9
10 The crime was alleged to have been committed in the Corona Municipal
11 Court Judicial District, but was transferred to the Riverside Municipal Court
12 by error or because of a fear that appellant might have received a fair trial
13 had he been arraigned before the Corona Municipal Court. (Appellants home
14 town, resident for over 20 years)

15 In addition to the illegality of the arrest and subsequent [redacted]
16 the court itself, participated in making a "deal" with appellants in chambers
17 in order to assure the case from coming to trial.

18 Appellants attorney in violation of his own code of ethics allowed
19 himself to represent the appellants wife in a proposed action of [redacted]
20 first and prime client.

21 Appellant submits that the foregoing represents a grandiose scheme, by
22 which the officers of the law (Sheriff's Dept) in collusion with the District
23 Attorney, on the report of a disreputable "informant" who had an ulterior
24 motive of his own, conspired together for the purpose of depriving appellant
25 his liberty under "Color of Law".

26 Appellant respectfully submits to this Honorable Court that he is a

1 Ignorance of law, and that there is no facility provided by this Constitution.
2 for the study of Federal Law, therefore appellant submits his Opinion, with
3 hoping that this Honorable Court will consider this fact in determining a
4 disposition of the foregoing matter.

5 It was observed in part in : GUDRON v WATKINSON; 372 U.S. 377 (1963)
6 "Laymen cannot be expected to know how to protect their rights when dealing
7 with practiced and carefully counselled adversaries".

8
9 In PROCE v JOHNSON; 344 U.S. 266; It is stated, that prisoners are
10 often unlearned in law and are unfamiliar with the complicated rules of
11 pleading since they so often act as their own counsel--we cannot impose
12 upon them the same standards of legal art as we might on the legal profession.

13
14 Appellant respectfully requests that this Honorable Court bear the
15 foregoing in mind in considering appellants brief on appeal.

16
17 It is respectfully submitted that, as a matter of law, the judgment
18 should be reversed in this particular.

19
20 Respectfully submitted

21 Frank Hale Bennett
22 In Propria Persona

23 Subscribed and sworn to before me

24 this 24 day of July 1967

25 Notary Public

26 My commission expires _____

No. 21779

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

FRANK HALE BENNETT

Appellant

vs

DALLAS ALLEN et al., and the
PEOPLE OF THE STATE OF CALIFORNIA

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

APPELLANTS' REPLY BRIEF

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UNITED STATES COURT OF APPEALS

FRANK HALE BENNETT
Appellant
vs

DALLAS ALLEN et al., and the
PEOPLE OF THE STATE OF CALIFORNIA
Appellees

No. 21779

APPELLANTS REPLY BRIEF ON
APPEAL

Appellant FRANK HALE BENNETT, filed with this Honorable Court his Opening Brief July 26, 1967, and has received Appellees Brief dated August 1, 1967.

I

The Attorney General is in error with reference to the Appeal being dismissed for not timely filing. (Apellants Brief P 6 I)

Appellant calls this Honorable Courts attention to (Tr. of Record, page 188) where a notice of appeal was filed on December 5, 1966 then returned to appeant with a letter from the Clerk of the Court, stating

the appeal was unfiled without any explanation. On December 5, 1966 the Honorable Judge Leon R. Hawkwich- "declined to issue Certificate of Probable Cause" (Tr. of Record P. 97). Appellant has complied with 73 (a) Federal Rules of Civil Procedures.

II

The defendant Judges, Prosecutors, Prison Officials, and the People of the State of California are not immune from a Civil Rights Suit. (Appellees Brief P 6).

"When two or more persons conspire to violate Civil Rights of an individual, acting under color of state law. If one or more of the Conspirators is a State Officer, near fact that certain of other conspirators are not state officers constitute no defence to any of them under the Civil Rights Statute 42 U.S.C.A. Sec. 1981 et Seq. 1983, 1985 2,3."

The defendant Judges, Prosecutors and Prison Officials have operated in excess of thier jurisdiction. They conspired to deprive appellant of his freedom.

"A plaintiff charging violation of his Civil Rights by a conspiracy is not required to list the place and date of defendants meeting and the summary of thier conversations and he is not required to pleade his evicence. (42 U.S.C.A. Sec. 1983, 1985, 2,3,."

The damage in a Civil Conspiracy flows from the overt acts and not from the conspiracy.

Appellant was railroaded into prison by the appellees, and is being kept in prison for as long as they can, as a political favor. (Tr. of Record Pages 7-15)

III

As to defendants, Bland, Adult Authority, Lloyd and People of the State of California (Ref: Appellees Brief P 8) They have conspired and there is a connection.

"Appellant is not required to list the place and date of defendants meeting and the summary of their conversations and he is not required to plead his evidence" 42 U.S.C.A. Sec. 1983, 1985, 2, 3, 4.

IV

Defendants Clark, Hamilton, Bland, and Willis did violate appellants Civil Rights. (Appellees Brief P 9).

"If one of acts of a defendant depriving a plaintiff of Civil Rights, causes damage to plaintiff, and act of particular defendant was done pursuant to the conspiracy, during its course, in furtherance of objects of conspiracy, with requisite purpose and intent and under Color of State Law, then all defendants are liable for acts of particular defendant under general principle of agency on which conspiracy is based." 42 U.S.C.A. Sec. 1981 et Seq. 1983, 1985, 2, 3, 4.

QUESTIONS PRESENTED FOR CONSIDERATION AND DECISION BY THIS HONORABLE COURT

I

The Attorney General and the U.S.District Court for the Central District of California, have completely ignored appellants allegations as set forth in the Original Complaint. (Tr. of Record P 17-19). The Attorney General moved for a dismissal of the action (Tr. of Record P 49).

On a motion to dismiss a complaint, facts alleged therein must be presumed to be true. (Rules Fed. Civ. Procedure 18351) This being so the Attorney General and the U.S. District Court, by thier own admissions have admitted appellants allegations are true.

Why was the Action dismissed by the District Court without a hearing or opinion?

II

Appelles have completely ignored appellants alligations with refrence to Jurisdiction.

The alleged offence was committed in the Corona Municipal Court Jurisdiction. Appellant was arrested without a warrant, and removed some fifteen (15) miles to the Riverside Municipal Court Jurisdiction.

Beavers v Henkel, N.Y. (1904) 24 S. Ct. 605. 194 U.S. 83, 48 L ed 882.

The locality in which the offence is charged to have been committed determines the place and court of trial.

Haldridge v U.S.C.A. Neb. 282 F 2d., 302. Correct venue in criminal case is a matter of Constitutional Right and questions of venue are not merely of formal legal procedure, but raise deep issues of public policy.

Appellant was arraigned before a court whose jurisdiction did not encompass the location of the crime. He should have been arraigned in the Corona Municipal Court. (Calif. P.C. 1462). Must be taken before a Competent Court within area of offence (Calif. P.C. 777). See; In Re Wyatt, (1931) 114 Ca 557, 562. Lewis v Superior Court in and for San Bernardino County, 69 P 2d 220.

The test of jurisdiction is the right to decide, not right decision. Judgments of Courts which at the time the Judgments were rendered had no jurisdiction to consider or to determine the issues in the respective cases, and whose records at such time disclose such lack of jurisdiction are absolutely void and may be attacked and defeated collaterally. Phebres v Search; 264 F. 407, Quoted by Rice J. in U.S. vs United States F & G. Co 24 F Supp 961, 1938.

Why was appellant denied the right of trial in the proper and legal jurisdiction (Corona Municipal Court) ?

III

Deputy Hamilton did not obtain a warrant as is required by Calif. P.C. 849. Castenada v Supreme Court (1963) 59 C 2d. 439, 70 Cal Repts. 1, 380 P. 2d 641.

Appellant has lived in and around the City of Corona California for over 20 years, and is a property owner.

Deputy Hamilton, with the aid of the other conspirators kidnapped, appellant from Corona California--(--The gist of kidnapping is the intentional taking of a person and compelling him to be detained against his will. It is not necessary to show any actual violence (State v Rollins, 8 N.H. 550) or in 5h3 purpose material (People v Fickl, 89 Cal. 144) and moved appellant, some fifteen (15) miles distant to Riverside, California.

Deputy Hamilton or Deputy Willis did not at the time of the arrest (kidnap) advise appellant of his Constitutional Rights, and refused to allow appellant to call his attorney (Tr of Record P 16-18).

Sixth Amendment, United States Constitution

Escobedo v Illinois (1964) 378 U.S. 478-84 S ed 1758, 12 L ed 977.

People v Dorado, 62 Cal. 2d 338, 354, 398 P. 2d 361, 276-42 Cal Rept. 169-17

Is appellant entitled to these protections?

IV

If appellant had been represented by a competent counsel, one who did not have adverse feelings toward his client, appellant would have been afforded the protections guaranteed him under the Fifth, Sixth, and Fourteenth Amendments of the United States Constitution. (Tr. of Record P 17-19) Rather appellants attorney (Robert Garst) joined in the conspiracy with the Prosecutor (Roland Wilson) and Judge Ritch to further his own political ambitions, and double crossed his client.

"An attorney in the representation of his client in a criminal case, in order to fulfill the requirements of the Sixth Amendment should have no conflict of interest, and must devote his full and faithful efforts to the defense of his client" Johns v Smyth, D.C. Va. 1959. 176 F Supp. 949.

Is appellant entitled to the protections of the Fifth, Sixth and Fourteenth Amendments to the Constitution of the United States?

CONCLUSIONS

All of appellants allegations (Tr. of Record 102) can be proved if the records are brought forth and reviewed by this Honorable Court. (See Motion for Records, dated July 11, 1967, U.S. Court of Appeals, Ninth Circuit, Case No. 21779.

Appellees who are charged or shown to be obligated to act impartially, rather than the appellees have chose to ignore them.

The Attorney General is in error, or has been misinformed, that appellee has not exhausted his state remedies pursuant to 28 U.S.C. Sec 2241 through 2254. (Appellees Brief P 11-12) Appellant has exhausted his state remedies.

The above should have no bearing on this case of action as it is immaterial. This cause of action is a Civil Rights Suit, and is not a Habeas Corpus action.

Appellees have conspired together and have used thier Offices of Trust for thier own selfish reasons to further thier Political ambitions (Ts of Record P 7-15) with the aid of a disreputable informant and an unethical Attorney, to deprive appellant under "Color of Law" of his liberty and freedom.

A Default Judgment should be awarded appellant against Dallas Allen for failure to answer and defend (Rule 55 Rules Federal Civil Procedure)

For the foregoing reasons appellant, respectfully requests that this Honorable Court. "DECLARE" that appellees have conspired to violate appellants Constitutional and Civil Rights under "Color of Law", and have illegally deprived him of his liberty and freedom. Or in the alternative, allow appellant to appear in a Court of Law with Competent Counsel and present his evidence so that Justice can be done.

Respectfully Submitted

NO. 21780

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

LLOYD THOMAS and
KENNETH WHITE,

Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

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FILED

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KENNETH WHITE,

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APPELLEE'S BRIEF

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FOR THE SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

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NO. 21780

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

LLOYD THOMAS and
KENNETH WHITE,

Appellants,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

I

JURISDICTIONAL STATEMENT

Appellants Lloyd Thomas, Kenneth White and co-defendants Antonio Salido-Yescas and David Rendon-Navia were indicted on March 9, 1966 for violations of Title 21, United States Code, §176(a). Judgments of conviction were entered on June 29, 1966. Notices of appeal were filed on June 29, 1966.

Jurisdiction of the District Court was predicated on Title 18, United States Code, Section 3231. Jurisdiction of this Court is based upon Sections 1291 and 1294 of Title 28, United States Code.

II

STATEMENT OF THE CASE

The two-count indictment, filed March 9, 1966, charged the appellants essentially as follows [C. T. 2-6]: 1/

Count One: Beginning on or about February 17, 1966 and continuing to the date of the indictment, defendants Lloyd Thomas, Kenneth White, Antonio Salido-Yescas, and David Rendon-Navia did agree, confederate, and conspire together to fraudulently and knowingly import and bring into the United States of America, marihuana contrary to law.

Count two: On or about February 18, 1966, defendants Antonio Salido-Yescas, David Rendon-Navia, Lloyd Thomas and Kenneth White, with intent to defraud the United States, knowingly received, concealed, and facilitated the transportation of 522 kilograms of marihuana, which had been imported contrary to law.

Appellants were arraigned on March 26, 1966; both entered not guilty pleas [R. T. 7-10, 19-20]. 2/ Trial by jury commenced on May 2, 1966 before the Hon. Francis C. Whelan, United States District Judge [R. T. 29]. Verdicts of guilty on both counts as to each appellant were returned on May 9, 1966 [C. T. 52-53]. Appellants' Motion for a New Trial was denied on June 29, 1966 [C. T. 54]. Judgments of conviction were entered on June 29,

1/ "C. T. " refers to Clerk's Transcript.

2/ "R. T. " refers to Reporter's Transcript.

1966 [C. T. 54], and on that date, appellants' notices of appeal were filed [C. T. 75-77].

III

STATUTE INVOLVED

The Indictment charges a violation of Section 176(a) of Title 21, United States Code, which provides in pertinent part:

" . . . Whoever, knowingly, with intent to defraud the United States, imports or brings into the United States marihuana contrary to law, or smuggles or clandestinely introduces into the United States marihuana which should have been invoiced, or receives, conceals . . . or in any manner facilitates the transportation, concealment . . . of such marihuana after being imported or brought in knowing the same to have been imported or brought into the United States contrary to law, or whoever conspires to do any of the foregoing acts shall be imprisoned not less than five or more than twenty years and, in addition, may be fined not more than \$20,000. . . .

"Whenever on trial for a violation of this section, the defendant is shown to have or to have had the marihuana in his possession, such possession shall be deemed sufficient evidence to authorize conviction unless the defendant explains his possession

to the satisfaction of the jury"

IV

STATEMENT OF FACTS

On February 17, 1966, pursuant to information previously received, a look-out was posted at the port of entry, San Luis, Arizona [R. T. 55, 82]. At approximately 4:55 p.m. (MST) on that date two Mexicans, Antonio Salido-Yescas and David Rendon-Navia, entered the United States from San Luis, Sonora, Mexico in a 1953 International, 2-1/2 ton truck [R. T. 56, 57]. The truck was followed by Customs Agents [R. T. 62-64] until it was parked at Garvey and Meeker Streets in El Monte, California [R. T. 65-66]. The occupants, Yescas and Navia, registered into Room #4 of the El Campo Motel [R. T. 100-101], located across the street from where the truck was parked [R. T. 66].

At approximately 11:30 p.m., Navia and Yescas left the motel and walked directly to a vehicle situated at the rear of a service station a few blocks away [R. T. 121-123]. There, they met and conversed with the two male occupants of a Ford station wagon parked on the premises [R. T. 123-126]. Soon thereafter, one of these two men appeared to receive a telephone call at a nearby booth [R. T. 126-127]. About 15 minutes later, all four men entered the Ford and left the vicinity [R. T. 129].

At approximately 1:20 a.m., a 1958 Buick, driven by appellant White [R. T. 369, 457] with appellant Thomas as his

passenger [R. T. 457], proceeded along Garvey Boulevard, made an abrupt right turn, drove directly to a spot behind the truck and parked [R. T. 139].

Thomas, the passenger, left the vehicle [R. T. 146, 472] and entered the motel [R. T. 146-147]. Minutes later, Thomas returned, crossed the street, went directly to the truck, and drove it away [R. T. 148, 471-472]. Thomas, driving the truck, was alternately led and followed by White, driving the Buick [R. T. 147, 151-152, 194], until the vehicles reached Pasadena [R. T. 203]. Both vehicles were followed by five or six government vehicles as they proceeded through residential areas, during which time there was almost no other traffic on the road [R. T. 205]. The truck and the Buick separated at Rosemead Avenue in Pasadena [R. T. 195].

After a time, Thomas parked the truck at the intersection of Lincoln and Oaks in Pasadena [R. T. 206]. Approximately 25 minutes later, White drove up, and saw the Customs agents who were watching the truck [R. T. 205, 461]. White then stopped the Buick, flashed the headlights from bright to dim, and drove away [R. T. 206]. Thomas immediately drove the truck away in the opposite direction [R. T. 206], and began meandering through the streets of Pasadena [R. T. 207-208]. Eventually, the truck was stopped and Thomas was arrested [R. T. 208]. In the truck was approximately 1,050 pounds of marihuana [R. T. 357-358] and the keys to the ignition [R. T. 473].

Navia and Yescas were then arrested at the motel [R. T. 340, 483]. Later that morning, the manager of the motel found

\$11,200.00 in a paper sack under the bed in the room occupied by Yescas and Navia [R. T. 105]. Neither Yescas or Navia had the key to the truck in his possession at the time of his arrest [R. T. 340].

The Buick and the Ford were found abandoned on the street some time later [R. T. 374, 463-464]. In the Ford was clothing worn by one of the men who had met with Yescas and Navia at the service station [R. T. 127, 374], and a card bearing Navia's name [R. T. 374-376].

V

QUESTIONS PRESENTED

- I Was it prejudicial error to deny appellants' motion for a mistrial?
- II Is the evidence sufficient to support the verdict?

VI

ARGUMENT

- A. APPELLANTS WERE NOT PREJUDICED
 BY THE DENIAL OF THEIR MOTION
 FOR A MISTRIAL.
-

Appellants cite no case and research discloses none in which reversible error was committed by a trial court in failing to declare a mistrial following the prosecutor's reference to admissions and inconsistent exculpatory statements in the opening

statement. It is fundamental that the government is entitled to inform the jury in its opening statement of what it expects to prove.

The prosecutor's reference to information provided to Customs agents by an informant added nothing to the case. With defense counsel's acquiescence [R. T. 77], an agent was permitted to testify to the evidence adverted to in the opening statement, namely, that pursuant to information received, a look-out for the particular truck involved was posted [R. T. 82]. Moreover, the trial court promptly admonished the jury to disregard the remarks in the prosecutor's opening statement [R. T. 53].

Assuming arguendo that the prosecutor's opening statement contained improper remarks, the admonishment given by the court was sufficient to protect the defendant.

See: United States v. Peasecki, 300 F.2d 152

(3rd Cir. 1962);

United States v. Courtney, 257 F.2d 944

(2nd Cir. 1958);

United States v. Moran, 194 F.2d 623

(2nd Cir. 1952), cert. denied, 343 U.S. 965
(1952);

United States v. Roberts, 223 F. Supp. 49

(E.D. Ark. 1963), aff'd., 332 F.2d 892

(8th Cir. 1964), cert. denied, 380 U.S. 980
(1965).

Dennis v. United States, 302 F.2d 5 (10th Cir. 1962) relied upon by appellant is inapposite. The case is entirely distinguishable

on its facts since "devastating" hearsay evidence was emphasized in both opening and closing remarks and admitted into evidence over appellants' objection.

B. THE EVIDENCE IS SUFFICIENT TO
SUPPORT THE VERDICT.

This Court will view the evidence, and all reasonable inferences to be drawn therefrom, in the light most favorable to the government.

Glasser v. United States, 315 U.S. 60 (1942);

Moody v. United States, 376 F.2d 525 (9th Cir. 1967).

The applicable test regarding sufficiency of the evidence is whether reasonable minds could find that the evidence excludes every hypothesis but that of guilt.

Miller v. United States, 383 F.2d 583

(9th Cir. 1967);

Lee v. United States, 376 F.2d 98 (9th Cir. 1967).

Viewing the evidence in the light most favorable to the government, this test is met by the following facts and inferences:

- (1) The marihuana was smuggled into the United States in the truck driven by Yescas and Navia [R. T. 55, 82];
- (2) According to plan, Yescas and Navia went directly to a motel where one of them had previously stayed [R. T. 65-66, 100-103];

- (3) Yescas and Navia left the motel at 11:30 p. m. and followed an obviously planned route to a pre-arranged meeting with two men, where a telephone call was received (obviously, to inform the buyer of the arrival of the load) [R. T. 121-129];
- (4) About an hour later, a Buick owned by appellant Thomas and driven by appellant White, came toward the motel, turned abruptly, and drove directly to the truck, stopping immediately behind it (indicating that White knew exactly where the vehicle was parked) [R. T. 139, 369, 457];
- (5) Appellant Thomas exited the vehicle, entered the motel, stayed there for 5 minutes, returned directly to the truck, and drove it away [R. T. 146-148, 471-472];
- (6) \$11,200.00 was subsequently found in Yescas and Navia's motel room [R. T. 105]. Neither of these two men had the keys to the truck when arrested [R. T. 340]. (Inferentially, Thomas received the keys from Yescas and Navia in exchange for the money while Thomas was in the motel.)
- (7) Thomas in the truck was controlled and directed by White in the Buick until both vehicles arrived in Pasadena. Several stops (to ascertain whether they were followed) were made along the way. The truck parked and waited until White's (the

Buick's) signal, after he spotted the Customs agents, directed Thomas (the truck) to leave the area in an attempt to avoid the surveilling agents [R. T. 147-148, 151-152, 194-195, 203-208, 461, 471-472].

(8) White immediately abandoned the Buick [R. T. 463-464].

(9) White's testimony, which is analyzed infra, was inherently incredible; the jury obviously chose to disbelieve his "innocent" explanation.

Appellants rely on Evans v. United States, 257 F.2d 121 (9th Cir. 1958); Glover v. United States, 306 F.2d 594 (10th Cir. 1962) and Tripp v. United States, 295 F.2d 418 (10th Cir. 1961). Each case is factually distinguishable. Evans turned on the failure of the government to prove defendant's connection with the specific heroin involved in the indictment. Glover was reversed because there was no independent evidence of a conspiracy other than defendant's presence "in the vicinity" where an informant bought narcotics from a co-defendant and a general conversation about future narcotics dealing. In Tripp the only evidence against defendants was their apparently innocent association with co-defendants who passed counterfeit bills. Here, however, appellants took possession and control of the smuggled marihuana under circumstances which manifestly reflected an elaborate, pre-arranged plan.

On fewer facts, the jury's determination that a defendant was

a conspirator has been upheld on appeal.

Castro v. United States, 323 F.2d 694

(9th Cir. 1963).

Appellant also relies on Miller v. United States, 383 F.2d 583 (9th Cir. 1967). There, the evidence against defendant Miller was hardly greater than that against appellants herein; the evidence against Mrs. Joseph was much less than that disclosed by the record before this Court. In Miller, the evidence against Mrs. Joseph was essentially that she owned the "target" vehicle, driven by Miller, and that she had been seen with Miller at a known narcotic dealer's house in Nogales. There was no activity similar to the acts by Thomas and White outlined above.

Appellants' references to cases involving proof of possession likewise are not pertinent. Substantial evidence was before the jury that the marihuana was in fact illegally imported, and that appellants, as co-conspirators, had knowledge of that illegal importation.

On these facts, therefore, the presumptions contained in Section 176(a), arising from possession, are unnecessary. Circumstantial evidence is sufficient to establish the illegal importation, and knowledge of that fact, even if a defendant never has physical possession of the marihuana.

See: Miller v. United States, supra;

Hill v. United States, 379 F.2d 811, 814

(9th Cir. 1967);

Castro v. United States, supra;

Debardeleben v. United States, 307 F.2d 362

(9th Cir. 1962).

In fact, however, the evidence establishes that Thomas had physical control of the "load" truck, containing the marihuana, and he, the truck, and the marihuana were dominated and controlled by White, driving the "chase" car. Appellant White, of course, admitted the joint decision to take control of the truck and its contents [R. T. 474, 476], and the record reflects clearly that Thomas in the truck responded to White's direction and control. Thus, a finding of joint or constructive possession in Thomas and White as to Count 2 is fully supported by the evidence, even assuming the applicability of the Section 176(a) presumption.

The single question raised by White's testimony, which the jury apparently disbelieved, is whether Thomas and White knew of the marihuana in the truck and that it was imported illegally; that is, were White and Thomas members of the scheme, or only unlucky car thieves? Put another way, does White's story present a valid, reasonable alternative inference from the facts adduced at trial?

The activities outlined above do not reflect a series of "innocent" (theft of a truck) acts. Reasonable minds could reject the truck-stealing hypothesis as a patently contrived and tailored explanation of the strange manner in which the truck was picked up by White and Thomas.

It is submitted that, as distinguished from the Miller case, supra, White's testimony failed to raise a valid, alternative inference, because of its inherent incredibility. White's story was

essentially that:

- (1) He left his brother's restaurant in Pasadena unattended "to go for a ride" with Thomas at between 11:00 p.m. and 12:30 a.m. [R. T. 458, 469].
- (2) White was driving Thomas' car in the El Monte area [R. T. 470].
- (3) White passed the "load" truck, parked on a dark side street, and mentioned "there's a truck with a foreign license" [R. T. 470], so Thomas and White decided to steal it [R. T. 470].
- (4) White turned around, made a left-turn, and parked behind the truck [R. T. 471].
- (5) Thomas got out, crossed the street, returned, looked into the cab, told White the keys were in it, and got into the truck [R. T. 472]. White, however, didn't notice the motel, or where Thomas went when he crossed the street [R. T. 473].
- (6) Appellants already had decided that White would direct Thomas (in the truck) to the general area of Pasadena [R. T. 474, 476]. No decision was ever made as to what they were to do with the truck [R. T. 474], or where in Pasadena they would store it [R. T. 476].
- (7) Both vehicles stopped momentarily in a shopping center while White gave directions to Thomas

[R. T. 477]; they stopped again on Rosemead Avenue [R. T. 477] for White to give further instructions.

(8) White then drove back to the cafe after telling Thomas he would see him later -- no arrangements were made for a meeting with Thomas in the truck [R. T. 477].

(9) At Figueroa and Lincoln, as White was returning home, he accidentally saw Thomas sitting in the parked truck, so White stopped [R. T. 478]. White said nothing to Thomas and couldn't remember whether he flicked his lights from dim to bright [R. T. 478].

(10) At this time, also, White saw two men seated in a vehicle in an empty parking lot, concluded that they were police officers, and shortly thereafter, he abandoned the Buick [R. T. 478-479].

Contradicting White is the testimony of the surveilling agents who saw the Buick abruptly turn right onto Meeker from Garvey and park directly behind the truck [R. T. 139]. Thomas (the passenger) left the Buick, entered the motel, stayed 5 minutes, came out of the motel and immediately entered the truck [R. T. 147]. The Buick waited a few minutes and followed the truck [R. T. 147]. Both vehicles stopped on the street at Valley Boulevard and Peck Street, where the Buick remained behind the truck for 4 to 6 minutes [R. T. 180-181], during which time neither driver got out of his vehicle or

got into a position to converse with the other [R. T. 151].

The jury chose to believe the surveilling agents. Moreover, reasonable men could choose to believe that White's testimony, aside from the conflicts with the testimony of the government agents, was unbelievable; that it did not present a valid, reasonable, alternative inference. White is not entitled to have the jury accept his incredible story, which asks them to believe that:

These two men, joy-riding in the middle of the night, happened to stumble upon this particular truck [R. T. 470]. The truck was parked on a dark side street in a residential district miles from appellants' homes, with the keys in the ignition and 1,000 lbs. of marihuana in the bed [R. T. 470-473, 357-358]. Thomas, who owned the Buick driven unexplainedly by White, got out to steal this ten year old truck [R. T. 470]. Thomas just happened to walk across the street in the direction of this particular motel in which two smugglers were staying [R. T. 146-148, 471-472]. Thomas then returned, noticed the keys in the vehicle, jumped in the truck, and drove away [R. T. 146-148, 471-472]. Thomas didn't know the way to Pasadena so he drove a few blocks, then pulled into a shopping center to wait for White to help him [R. T. 477]. Thomas then followed White onto the freeway and off again before they decided to go their separate ways [R. T. 477]. Although it was nearly 3:00 a.m., White casually returned to the cafe without making further arrangements about meeting Thomas to dispose of, or store, the stolen truck [R. T. 477]. Thirty minutes later, White accidentally drove by Thomas, who was parked, for no apparent

reason, at Lincoln and Figueroa [R. T. 478]. White stopped and said nothing, and then drove away [R. T. 478]. Coincidentally, Thomas immediately drove off in the other direction. White had seen what he thought were police officers. Soon, he became genuinely concerned, so he abandoned the Buick on the street in Pasadena [R. T. 478-479].

It is submitted that White's testimony is sufficiently unbelievable that the jury could infer White's guilt therefrom. Castro v. United States, supra; Debardeleben v. United States, supra. In any event, it fails to present a valid, reasonable hypothesis.

VII

CONCLUSION

For the foregoing reasons, the judgment of conviction should be affirmed.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Craig B. Jorgensen
CRAIG B. JORGENSEN

NO. 21781 ✓

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

JEWELL JAMES WILLIAMS,

Appellant,

vs.

UNITED STATES OF AMERICA,

Appellee.

APPELLEE'S BRIEF

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF CALIFORNIA

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APPELLEE'S BRIEF

I

STATEMENT OF THE PLEADINGS AND FACTS DISCLOSING JURISDICTION

The appellant contends that this Court has jurisdiction in this case pursuant to Title 18, United States Code, Section 4042 and Title 28, United States Code, Sections 1291, 1331 and 1346 (b). [A.B. pp. 1-2]^{1/}

The United States of America contends that this Court does not have jurisdiction in this case in that this matter has previously been before this Court and a decision rendered adverse to the appellant. [See Appendixes "A" and "B".]. This contention will be developed more completely in the argument section of this brief.

^{1/}

"A.B" refers to Appellant's Brief.

II

STATUTES INVOLVED

Title 18, United States Code, Section 4042, reads in pertinent part, as follows:

"The Bureau of Prisons, under the direction of the Attorney General, shall --

"(1) have charge of the management and regulation of all Federal penal and correctional institutions;

"(2) provide suitable quarters and provide for the safekeeping, care, and subsistence of all persons charged with or convicted of offenses against the United States, or held as witnesses or otherwise;

"(3) provide for the protection, instruction, and discipline of all persons charged with or convicted of offenses against the United States.

"This section shall not apply to military or naval penal or correctional institutions or the persons confined therein."

Title 28, United States Code, Section 1291, reads in pertinent part as follows:

"The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court."

Title 28, United States Code, Section 1331, reads in pertinent part, as follows:

"(a) The district courts shall have original jurisdiction of all civil actions wherein the matter in controversy exceeds the sum or value of \$10,000, exclusive of interest and costs, and arises under the Constitution, laws, or treaties of the United States.

"(b) Except when express provision therefor is otherwise made in a statute of the United States, where the plaintiff is finally adjudged to be entitled to recover less than the sum or value of \$10,000, computed without regard to any setoff or counterclaim to which the defendant may be adjudged to be entitled, and exclusive of interests and costs, the district court may deny costs to the plaintiff and, in addition, may impose costs on the plaintiff."

Title 28, United States Code, Section 1346 (b), reads in pertinent part, as follows:

"(b) Subject to the provisions of chapter 171 of this title, the district courts, together with the United States District Court for the District of the Canal Zone and the District Court of the Virgin Islands, shall have exclusive jurisdiction of civil actions on claims against the United States, for money damages, accruing on and after January 1, 1945, for injury or loss of property, or personal injury or death caused by the negligent or wrongful

act or omission of any employee of the Government while acting within the scope of his office or employment, under circumstances where the United States, if a private person, would be liable to the claimant in accordance with the law of the place where the act or omission occurred."

Title 28, United States Code, Section 2671, reads in pertinent part, as follows:

"As used in this chapter and sections 1346(b) and 2401(b) of this title, the term --

"'Federal agency' includes the executive departments and independent establishment of the United States, and corporations primarily acting as, instrumentalities or agencies of the United States but does not include any contractor with the United States.

"'Employee of the government' includes officers or employees of any federal agency, members of the military or naval forces of the United States and persons acting on behalf of a federal agency in an official capacity, temporarily or permanently in the service of the United States, whether with or without compensation.

"'Acting within the scope of his office or employment', in the case of a member of the military or naval forces of the United States, means acting in line of duty."

Title 28, United States Code, Section 2680, reads in pertinent part, as follows:

"(h) Any claim arising out of assault, battery, false imprisonment, false arrest, malicious prosecution, abuse of process, libel, slander, misrepresentation, deceit, or interference with contract rights."

III

STATEMENT OF THE CASE

A. Questions Presented

1. Does this Court have jurisdiction over this appeal?
2. Can the United States District Court, on its own Motion, dismiss a civil action?
3. Is the appellant barred by the doctrine of sovereign immunity from suing the United States?
4. Is the Honorable James M. Carter, and thus the United States, immune from a civil lawsuit in this case?
5. Is the United States responsible for the criminal acts of a third party?
6. Is the United States responsible for the negligence of an independent contractor?

B. Statement of the Facts

On July 26, 1963, the appellant was indicted for aiding and abetting the robbery of a bank in San Diego, California. He was convicted by a jury and subsequently a new trial was granted by the Honorable James M. Carter. A superseding indictment was filed on March 18, 1964, charging

the appellant with receiving stolen bank robbery money. He was again convicted by a jury and sentenced to a four year period of incarceration pursuant to Title 18, United States Code, Section 4208(a). An appeal was taken and his conviction was affirmed. Williams v. United States (9th Cir. 1966) 358 F.2d 325. [C.T. 250] ^{2/}

On February 10, 1965, the appellant filed a 248 page document in the United States District Court for the Southern District of California. The document in addition to alleging that the conviction was improper alleged in substance that (1) the Honorable James M. Carter stated in open court and told a prisoner at the San Diego County jail that the appellant had committed incest; and (2) a fellow prisoner, because of the statements made by the Honorable James M. Carter, cut the appellant's eyes. It may be possible to interpret the 248 page document as also alleging that the United States did not adequately protect the appellant. [C.T. 2-251].

The 248 page document was filed by the Honorable Fred Kunzel, who presided at the second jury trial, as a petition under Title 28, United States Code, Section 2255 [3240-SD-K], and as a civil action against the United States purporting to come within Title 28, United States Code, Section 1346(b) [3241-SD-K]. [C.T.250].

The Honorable Fred Kunzel dismissed the 2255 motion; and also the tort claims action because even if the allegations of the Complaint are taken as true the alleged negligent act of the Honorable James M. Carter was not

^{2/}
"C.T." refers to the Clerk's Transcript.

the proximate cause of the injury to the appellant. The proximate cause of injury was the criminal conduct of appellant's fellow prisoners. [C.T.251].

The Honorable Fred Kunzel also took judicial notice of the contract between the local government and the United States for the lodging of federal prisoners. Based upon the contract and the Complaint the Court held that the United States was not liable for the negligence of an independent contractor. [C.T.251-252].

The appellant on February 25, 1965, filed a Notice of Appeal from the Order dismissing the 2255 motion [3240-SD-K] and the tort claims action [3241-SD-K]. [C.T.253].

On December 1, 1965, pursuant to motion of the United States, this Court in number 20,329 dismissed the appeals in 3240-SD-K and 3241-SD-K. [Appendixes "A" and "B"]

The appellant now presents for this Court's consideration the propriety of the dismissal by the Honorable Fred Kunzel of 3241-SD-K. ["A.B" 3-23].

IV

SUMMARY OF ARGUMENT

This Court does not have jurisdiction over this appeal, in that this case has previously been before the Ninth Circuit Court of Appeals and has been dismissed.

The United States District Court on its own motion can dismiss a civil action.

The appellant is barred by the doctrine of sovereign immunity from

suing the United States, in that assault and battery and defamation have been specifically excepted from the Federal Tort Claims Act. Further, the acts of the judiciary are not covered by the Federal Tort Claims Act.

The Honorable James M. Carter and, thus the United States, is immune from a lawsuit in this case.

The United States is not responsible for the criminal acts of a third party in that the alleged cutting of the appellant's eyes was not foreseeable.

The United States is not responsible for the negligence of an independent contractor.

V

ARGUMENT

A. THIS COURT DOES NOT HAVE JURISDICTION OVER THIS APPEAL .

The 248 page document was filed by the Honorable Fred Kunzel as an action purporting to come within Title 28, United States Code, Section 1346(b), more commonly called the Federal Tort Claims Act. The case was dismissed in February of 1965 and the appellant filed a Notice of Appeal. In December of 1965, as indicated by Appendixes "A" and "B", the appeal was dismissed by this Court. Now approximately 18 months after this Court's dismissal of the appellant's appeal from Judge Kunzel's dismissal of the tort action the appellant is attempting to relitigate matters previously

considered by this Court.

It is fundamental that if this Court has previously considered this case and rendered a decision adverse to the appellant this appeal is barred.

If for some reason this Court's prior decision in 20,329 is not sufficiently clear it is suggested that the panel previously considering this matter determine whether or not it was their intention that 3241-SD-K be dismissed as indicated by Appendixes "A" and "B" .

If 3241-SD-K was intended to have been dismissed, then of course this appeal is barred as this Court has previously considered this matter.

However, if this Court did not intend to dismiss 3241-SD-K then the merits of the dismissal by the Honorable Fred Kunzel must be considered.

B. THE UNITED STATES DISTRICT COURT, ON ITS OWN MOTION,
CAN DISMISS A CIVIL ACTION.

In this case the 248 page Complaint was filed in 3241-SD-K by the Honorable Fred Kunzel as a tort action under Title 28, United States Code, Section 1346(b) and then dismissed. The appellant contends that the dismissal was in error. ["A.B." 7-12].

The appellant relies on dictum in the case of Gutensohn v. Kansas City Southern Ry. Co. (8th Cir. 1944) 140 F.2d 950, for the contentions previously

Though the order of dismissal is not entirely clear it appears that both 3240-SD-K and 3241-SD-K were included in the Order on Motion dismissing those cases. See: Appendixes "A" and "B".

mentioned. In our case the appellant was incarcerated in a federal penitentiary located in another state and thus could not have been present for a hearing on his tort claims action.

Finally, and most important, our case involves a frivolous Complaint relating to illegal activity of the Honorable James M. Carter which allegedly resulted in the appellant's eyes being cut while awaiting a ruling on a Motion for New Trial.

In the case of Safeway Stores v. Fannan (9th Cir. 1962) 308 F.2d 94, this Court considered an analogous problem and it was concluded that the Trial Court does have the power on its own motion to dismiss a civil action. ^{4/}

It is respectfully submitted, within the doctrine of the Safeway Stores case, *supra*, that the trial Court did not commit plain error in dismissing the Complaint. ^{5/}

^{4/} See also: Hoe v. Wilson (1869) 76 U.S. 501; Hicks v. Bekins (9th Cir. 1940) 115 F.2d 406; Carnegie Bank v. City (9th Cir. 1940) 110 F.2d 569; Shotkin v. Westinghouse (10th Cir. 1948) 169 F.2d 825; Darlington v. Studebaker (7th Cir. 1959) 261 F.2d 903; Knights of Klu Klux Klan v. Monmouth Pleasure Club (3rd Cir. 1929) 34 F.2d 730; Pierce v. Submarine Signal Company (D.C. Mass 1939) 25 F. Supp. 862; and Fougers v. Jones (Cir. Ct. Ind. 1895) 66 F. 316.

^{5/} Of course amendment to a Complaint should be allowed when justice requires it; however in this case the Complaint is on its face frivolous.

C. THE APPELLANT IS BARRED BY THE DOCTRINE OF SOVEREIGN
IMMUNITY FROM SUING THE UNITED STATES.

The 248 page Complaint filed by the appellant alleges in substance that the Honorable James M. Carter as a result of comments made in Court and in an interview with a federal prisoner caused the appellant's eyes to be cut.

Has the United States, if we assume that the allegations of the Complaint are true, consented to be sued under the Federal Tort Claims Act?

Under the doctrine of sovereign immunity no action will lie against the United States unless Congress has authorized it. Reid v. United States (1909) 211 U.S. 529; Munro v. United States (1938) 303 U.S. 36; United States v. Sherwood (1941) 312 U.S. 584; and Dalehite v. United States (1952) 346 U. S. 15.

The Congress of the United States in the Federal Tort Claims Act has specifically excepted assault and battery.^{6/} If the Complaint is based upon a battery then the doctrine of sovereign immunity applies and the United States has not consented to be sued.

It may be argued that the Complaint alleges a cause of action for defamation but again Congress has specifically excepted defamation from the Federal Tort Claims Act.^{7/}

^{6/}

See: 28 U.S.C. 2680(h).

^{7/}

See: 28 U.S.C. 2680(h)

Notwithstanding the foregoing analysis relating to assault and battery and defamation it is clear that the acts of judiciary are not covered by the Federal Tort Claims Act.

Title 28, United States Code, Section 2671, limits the definition of a "Federal agency" to the executive branch of government and excludes the judicial branch of government. The Government's control or right to control is the touchstone of the type of respondent superior liability intended in the Federal Tort Claims Act. It is hard to conceive of persons more free and independent from control than judges of the Federal Courts. Congress did not intend that the actions of the judiciary be covered.

Authority for the foregoing proposition is found in Cromelin v. United States (5th Cir. 1949) 177 F.2d 275, where it was stated that:

"Such officers [Federal judges] are not within the contemplation of the Tort Claims Act." p. 277

If we take the allegations of the Complaint as true, the alleged action of the Honorable James M. Carter, which allegedly led to the cutting of the appellant's eyes by a fellow prisoner, is excepted from the provisions of the Federal Tort Claims Act.

D. THE HONORABLE JAMES M. CARTER, AND THUS THE UNITED STATES, IS IMMUNE FROM A CIVIL LAWSUIT IN THIS CASE.

If the allegations of the Complaint are accepted as true then the Honorable James M. Carter allegedly mentioned in Court and while interviewing a prisoner in the San Diego County jail that the appellant had been

charged with incest. The comment in Court and to the prisoner allegedly took place following the first conviction of the appellant and while the Honorable James M. Carter was considering whether or not a Motion for New Trial, which was subsequently granted, should be granted. The comment in Court and the statement while interviewing a prisoner were within his judicial function.

It is hornbook law that a judge is immune for his actions performed within his judicial function. 48, C.J.S., Judges, Section 63, et. seq.

Under Title 28, United States Code, Section 1346(b) the United States is only liable if the private person, in this case the Honorable James M. Carter, could be held liable by the appellant under California law.

Under California law the Honorable James M. Carter is immune from a civil action in this case. Turpen v. Booth (1880) 56 Cal. 65; Haase v. Gibson (1960) 179 C.A. 2d 256; Reverend Mother Pauline v. Bray (1959) 168 C.A. 2d 384; and Singer v. Bogen (1957) 147 C.A. 2d 515.

It is respectfully submitted that if the Honorable James M. Carter is immune from a civil action under California law then the United States has not consented to be sued under the Federal Tort Claims Act.

E. THE UNITED STATES IS NOT RESPONSIBLE FOR THE CRIMINAL ACTS OF A THIRD PARTY.

If the allegations of the Complaint are accepted as true then this Court is faced with the determination as to whether or not the cutting of the appellant's eyes by a fellow prisoner caused by a statement of the

Honorable James M. Carter concerning an alleged incestuous relationship of the appellant made in open court and when interviewing a prisoner sets forth a valid cause of action? More simply stated, is the United States responsible for the criminal acts of a third party?

It is stated in 38 Am. Jur., Negligence, Section 71 that:

"Wrongful acts of independent third persons, not actually intended by the defendant, are not regarded by the law as natural consequences of his wrong, and he is not bound to anticipate the general probability of such acts

Therefore, as the facts are ordinarily against a defendant presented, no recovery can be allowed for an injury which resulted from the criminal act of a third person, although there existed at the time a condition which made that act possible or less difficult to accomplish, and which was produced by the negligence of the defendant."

In the case of Walsh v. Hunt (1898) 120 Cal.46, the Supreme Court of California, in a decision which has not been overruled, stated that:

"[W]here it is through the instrumentality of a criminal act that the wrong is accomplished, it is the crime, and not the negligent act which is the proximate cause of the injury . . ." p. 49.

The decisions cited by counsel for the appellant do not disagree with the proposition presented but rather present fact situations where in this state the criminal act of a third party was held to be foreseeable.

As stated in Barclay Kitchen, Inc. v. California Bank (1962) 208 C.A. 2d 347,

"While intervening criminal acts in some cases may supersede the defendant's negligence, the test is whether the actor should have realized at the time of his negligent conduct that there was a likelihood that as a result thereof a third person might commit an intentional tort or crime" p. 355.

In our case it is difficult if not impossible to see how the Honorable James M. Carter could have foreseen that a statement allegedly made in Court, and when interviewing a prisoner, could lead to a prisoner allegedly cutting the appellant's eyes with a razor blade.

If however, the cutting of the appellant's eyes as alleged in the Complaint was foreseeable then the action is still barred by the doctrine of sovereign immunity and the immunity of the Judge for his judicial acts.

F. THE UNITED STATES IS NOT RESPONSIBLE FOR THE NEGLIGENCE OF AN INDEPENDENT CONTRACTOR.

The United States does not admit that the Complaint in any way alleges tortious conduct of the employees of the San Diego County jail. Rather, the Complaint relates to the alleged tortious conduct of the Honorable James M. Carter.

However, the Honorable Fred Kunzel did take judicial notice of a contract between local and federal governments to lodge prisoners in the San Diego County jail.

For the purpose of this discussion it will be assumed that the Complaint alleges that the injury to the appellant was caused by the negligence of the employees of the San Diego County jail.

The appellant alleges that the United States has a non-discretionary, non-delegable duty to protect prisoners in its custody who are charged with crimes against the United States.

The appellant relies in part upon Title 18, United States Code, Section 4042, which provides in substance that the Bureau of Prisons shall protect all federal prisoners. Without citing authority the appellant alleges that the foregoing section gives rise to a non-delegable duty, and if the appellant's analysis is followed to its logical conclusion, strict liability for the alleged negligence of an independent contractor.^{8/}

Appellant next attempts to bring the alleged negligence of the independent contractor within Title 28, United States Code, Section 2671 as an employee of the government. If this analysis is followed to its logical conclusion

^{8/}

In United States v. Muniz (1963) 374 U.S. 150, at pp. 164-165, the Supreme Court of the United States stated that Title 18, United States Code, Section 4042 fixes the degree of care owed by the Bureau of Prisons to a federal prisoner. The Supreme Court did not indicate that strict liability for the alleged negligence of an employee of an independent contractor has been created by this section.

employees of the independent contractor, the San Diego County jail, are employees of the government and thus the Federal Tort Claims Act applies. This analysis begs the specific question of whether or not the United States in this case is responsible for the negligence of an independent contractor.

The case of Martarano v. United States (D.C. Nev. 1964) 231 F. Supp. 805 is distinguishable because the United States under the terms of the agreement involved had direct supervision of the state employee involved. In fact the state employee had actually been loaned to the United States by the state.

In Delgado v. Akins (D.C. Ariz. 1964) 236 F. Supp. 202, the state employee was paid from a federal fund and was subject to specific federal rules and regulations. In fact, the United States as to employees similar to the employee involved in Delgado, supra, had taken the position that they had the power to hire and fire those employees.

The cases of Muniz v. United States (2nd Cir. 1962) 305 F.2d 285, affirmed 374 U.S. 150 and Winston v. United States (2nd Cir. 1962) 305 F.2d 253, affirmed 374 U.S. 150; held that a federal prisoner actually in federal custody may bring a suit against the United States for the negligence of an employee of the United States. Muniz and Winston, supra, are of course distinguishable from our case in that the appellant was in the custody of the San Diego County jail.

The question still remains as to whether or not in this case the United States is responsible for the illegal negligence of an independent contractor?

It is clear from reading Title 28, United States Code, Section 2671,

that the term "Employee of the government" is oriented to the term "Federal agency". Thus, unless the employee is an employee of the Federal agency, he is not an employee of the United States for the purpose of imposing vicarious liability upon the United States.

In defining and illustrating the term "Federal agency", Congress was careful to include Government corporations; however, lest the words "and corporations primarily acting as, instrumentalities or agencies of the United States" be misconstrued, Congress was also careful to distinguish between those corporations which are governmental on the one hand and business corporations on the other, which undertake Government projects from time to time but as "contractors" with the Government. Thus, 28 U.S.C. 2671 expressly recites that the term "corporations" as defined therein "does not include any contractor with the United States."^{9/}

The generally applied and well established rule is that the employer of an independent contractor is not liable vicariously for torts of the contractor or his employees. Kirk v. United States (9th Cir. 1959) 270 F.2d 110; Dushon v. United States (9th Cir. 1957) 243 F.2d 451; Dunn v. United States (6th Cir. 1964) 327 F.2d 59; and Dickson v. United States (8th Cir. 1961) 296 F. 2d 556.

^{9/}

See 52 Colum. L. Rev. 433, 435 (1953) where it is suggested that the term "contractor" was meant by Congress to include any person who has a contract with the government. Thus, a contractor need not be a corporation. A contractor may be an individual with no employees of his own. See E.G. Dickson v. United States (8th Cir. 1961) 296 F.2d 556.

As indicated by Kirk and Dushon, supra, the test as to whether or not the United States will be held liable under the Federal Tort Claims Act for the alleged negligence of the employees of the San Diego County jail appears to turn on the degree of control that the United States had over the employees of the San Diego County jail in the performance of their duties.

There is no indication in this Complaint that the United States had any control over the employees of the San Diego County jail in the performance of their duties.

It should be noted that there is no indication in the Complaint that the United States was in any way negligent in the selection of the San Diego County jail as a place of incarceration for federal prisoners in San Diego.

It is respectfully suggested that in this case the United States is in no way responsible for the alleged negligence of the independent contractor.

VI

CONCLUSION

The appellee respectfully submits that this appeal should be dismissed and that this matter has previously been adjudicated by this Court.

If the merits of the dismissal of this case by the Honorable Fred Kunzel are reached it is respectfully submitted that the dismissal should be affirmed by this Court.

Respectfully submitted,

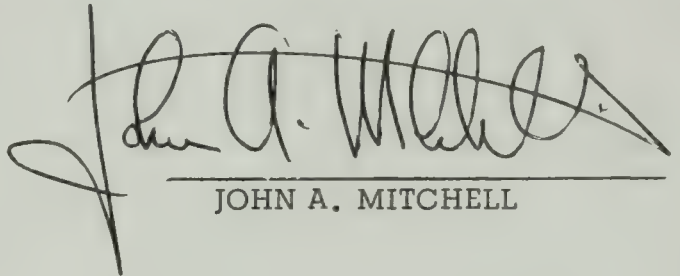
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CERTIFICATE

I certify that in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

A handwritten signature in dark ink, appearing to read "John A. Mitchell", is written over a horizontal line. The signature is stylized with a large initial "J" and a long, sweeping underline that extends to the right.

JOHN A. MITCHELL

